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The United States, Great Britain, and Iranian oil, 1950–1954

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The Ohio State University, 1991

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THE UNITED STATES, GREAT BRITAIN,  
AND IRANIAN OIL, 1950-1954  

DISSERTATION  

Presented in Partial Fulfillment of the Requirements for  
the Degree Doctor of Philosophy in the Graduate  
School of The Ohio State University  

By  

Mary Ann Heiss, B.A., M.A.  

* * * * *  

The Ohio State University  
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To My Parents
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This is a study of the controversy surrounding the nationalization of the Anglo-Iranian Oil Company (AIOC). It traces the events leading to Iran's nationalization of the company in 1951, with the background to these events summarized in this brief initial chapter. It also details efforts to negotiate a settlement that would reconcile Iranian grievances against the AIOC with British claims for compensation. Because the British and the Iranians sought, and ultimately received, American aid in resolving their dispute, this study puts the nationalization crisis in a tripartite framework. It reveals the global as well as the regional nature of a struggle that historians have slighted, and follows this struggle to the autumn of 1954, when the Americans helped to organize an international consortium to replace the AIOC.

There is no comprehensive English-language history of the nationalization crisis, despite its contemporary importance and its historical significance as one of the great recent struggles between a developing country and a powerful multinational enterprise, together with its government allies. The episode is usually considered only within larger, more general accounts of Iranian history, the international oil industry, or Anglo-American relations. The general histories of Iran and its oil industry provide valuable insights into Iranian motives, demands, and policy. Their utilization of Persian-language sources compensates somewhat for the lack of Iranian government records, which operates as a limit on this and other studies. Nevertheless, historians must use these accounts carefully. Some are
emotionally inspired and undocumented.³ Others either ignore, distort, or exaggerate the part that British and American leaders played in the nationalization crisis.⁴

Similar problems characterize studies of the international petroleum industry.⁵ These studies, often based on company records inaccessible to most scholars, tell us something about the inner workings of the major oil companies and their response to Iranian nationalization. But they concentrate on the commercial and financial aspects of the dispute, give short shrift to its geopolitical dimension, and sometimes rely on private conversations or interviews that are difficult to corroborate. Much the same is true of the literature on British and American diplomacy.⁶ Although works in this category yield much useful information, they focus on more than the oil crisis and fail to exploit fully the government records of both nations. As a result, they generally fail to detail the often conflicting, often coincident, motives behind British and American policy or to explore the shifting nature of Anglo-American relations during the nationalization dispute. Accounts of the oil crisis are similarly deficient.⁷ They emphasize either its implications for international law or Britain's case against Iran before the International Court of Justice, instead of placing the crisis in a larger global and historical framework.

Generally speaking, then, existing accounts of the Iranian crisis are one-sided or narrowly focused. For the most part, they are grounded in research that is restricted by the authors' primary focus or area of concern. Unmindful that nationalization did not take place in a vacuum, they emphasize specific subjects, ignore others, and present a picture of the crisis that slights its international dimensions.

This study covers the nationalization imbroglio from a variety of angles. Drawing on archives in Great Britain and the United States, it integrates British and
American policy into a coherent analysis. It uses similar sources, as well as the literature on Iran, to trace the Iranian side of the triangle, link the nationalization crisis to earlier and subsequent events, and place it within a geopolitical context. After all, nationalization of the AIOC was more than just another episode in the often tenuous Anglo-Iranian relationship. The dispute grew out of long-term trends in British, Iranian, and international history and had a tremendous impact on both the world petroleum market and the international economy. Perhaps as important, the Anglo-Iranian controversy prompted the United States to assume a prominent, enduring role in the Persian Gulf region, with effects that are still being played out today. The United States became involved in every stage of the crisis, with public and private elites working incessantly for a solution that would deny the Soviet Union access to the region and safeguard it for the West.

As this suggests, the present study seeks to explore the connection between the nationalization crisis and changes taking place in the American and British economies and in the relationship between those two nations. American policymakers came out of World War II with a renewed appreciation of their country's dependence on foreign petroleum resources and with a heightened awareness of petroleum's importance to the security of the United States and its Western allies. The nationalization controversy threw both issues into bold relief. It also highlighted Great Britain's dependence on Iranian oil. For the British, Iranian oil was an economic, as well as a strategic, asset. The AIOC’s Iranian wells provided British consumers and especially the British air force and navy with an inexpensive source of petroleum and the British Exchequer with important foreign exchange at a time when the country's financial position was flagging.

In addition, the nationalization crisis pointed up Washington's dependence on the British as the defenders and guarantors of Middle Eastern security. Because the
United States could not single-handedly police the globe, it was forced to prop up Britain’s position in Iran and elsewhere in order to prevent a potentially devastating loss of the Middle East to the Soviet Union. This American dependence was good news to policymakers in London, who saw Anglo-American cooperation as the only way to preserve their informal empire in the Middle East. Throughout the oil crisis, British officials skillfully maneuvered their American counterparts into becoming ever-more involved, but always on terms that suited Whitehall’s purposes. In seeing British policy in the Iranian crisis as much more active and forceful than some scholars have recognized, this study complements the recent revisionist trend that disputes the view of a hegemonic America imposing its will on a helpless Britain.

It is also important to see the Anglo-Iranian controversy as an outgrowth of Iranian nationalism, which emerged as a potent force in the period after the Second World War. Nationalism, rather than a simple desire for greater oil revenues, motivated Iranian policy and sustained that policy when its fruits proved bitter. It helped to explain why Iran wanted Britain to abandon its exclusive control over the Iranian oil industry, and why the Iranians persisted in the face of tremendous economic hardship. In addition, nationalism links the Anglo-Iranian dispute to earlier incidents in Iranian history, such as the 1932 cancellation of the British concession by the Iranian government, and to nationalist movements in other parts of the developing world. It also helps to account for the decline of British power in Iran and in other parts of the world where British leaders refused to take nationalism as seriously as they might have.

To put it another way, the nationalization controversy weaves together some of the major themes in recent American, British, and Iranian history. It points up the increasing importance of the Middle East and its oil to the economic and national security policies of the Great Powers, and it connects this development to
the character of the Anglo-American relationship and to the rise of Third World nationalism. Before exploring these connections, however, it is essential to establish the historical context for the nationalization crisis, the roots of which were set when the British first became involved in the Iranian oil industry.

Britain’s exclusive control over Iranian oil began in 1901, when Australian mining entrepreneur William Knox D’Arcy obtained a 480,000-square-mile concession to extract, transport, and refine oil in all but the five northern provinces of what was then known as Persia. With financial backing from the Burmah Oil Company, D’Arcy formed the Persian Petroleum Exploration Syndicate. In 1908, D’Arcy’s company found substantial quantities of oil, and one year later, with additional assistance from Burmah Oil, it was reconstituted into the Anglo-Iranian Oil Company (then known as the Anglo-Persian Oil Company, APOC). The company began operations on the eve of the First World War, coincident with the British navy’s conversion from coal to oil. To ensure adequate and affordable oil supplies in the event of war, First Lord of the Admiralty Winston S. Churchill convinced the British government in 1914 to purchase 51 percent of the APOC’s stock and to arrange for the Royal Navy to purchase oil from the company at a discount. These two developments, which seemed so harmless in 1914, would come back to haunt the British during the 1950s. In the short term, however, new capital provided by the British government enabled the APOC drastically to expand its operations. Production increased from 273,000 tons in 1914, to 897,000 tons in 1918, to 1,385,000 tons in 1920. Royalties to the Persian government, set by agreement at 16 percent of the company’s profits, reached £470,000 in 1920.

The Anglo-Persian arrangement appeared to benefit both sides, but tensions below the surface threatened to sever the relationship. Royalties fell short of what the Persian government expected. The Persians also complained about the
company's refusal to pay royalties on its non-Persian operations, even though these involved the use of Persian oil. In addition, they disputed the APOC's efforts to hold the government in Tehran responsible for tribal sabotage of the company's operations and lamented its tendency to charge the government excessive rates for the shipment of oil inside Persia. To resolve these differences, and thus preserve the concession, which was vital to oil-poor Britain, the two parties signed the Armitage-Smith Agreement in 1920. This agreement met most of Persia's demands, notably its call for the inclusion of the company's non-Persian operations in the calculation of royalty payments. In British eyes, it constituted a permanent solution to Persia's discontent with the APOC. To the Persians, however, it was merely a stopgap until more advantageous terms could be arranged.

Reza Shah's assumption of the Peacock Throne in 1925 set the stage for Persian redress. An iron-willed military officer with grand plans for Persia's future, Reza Shah initiated discussions with the APOC in 1928. His goal was to revise the Armitage-Smith Agreement in order to increase Persia's oil revenues. After the onset of the Great Depression, however, the British were reluctant to increase royalties, the talks collapsed, and the APOC's royalties to the Persian government followed the downward spiral of Persian production and global prices, dropping from £1,437,000 in 1929 to £307,000 two years later. Frustrated by these developments, Reza Shah cancelled the company's concession in November 1932. This did not mean nationalization, as the Persian government was willing to negotiate a new concession with the APOC. But it did signify the government's newfound awareness of the value of the country's oil and its determination to use that oil for Persian, rather than British, purposes.¹¹

The resulting drama foreshadowed in many ways the crisis of the 1950s. The British government laid the case before the League of Nations, decrying the
illegality of Persia’s unilateral cancellation of the concession. The Persians responded by denouncing the British government for interfering in what they saw as an internal Persian affair. They also pointed out that the Armitage-Smith Agreement had not been ratified by the Majlis (or Persian parliament) and therefore disputed its legal validity. Two decades later, both sides would make virtually the same arguments when the British took the Iranians before the International Court of Justice and the United Nations. In the first episode, moreover, can be discerned the sparks of a smoldering Persian resentment of the APOC, sparks that finally ignited the fiery nationalism of the 1950s. Unlike their successors, however, Persian leaders in the 1930s had no desire to run the complicated oil industry. Although loath to admit it, they needed the APOC, not to mention the oil royalties that had become an important source of revenue for the Persian government. Practical financial considerations thus defeated nationalist resentment and forced the Persians to sign a new agreement with the company in 1933.

The new agreement, negotiated under the auspices of the League of Nations, appeared to settle all points of contention between the two parties. It provided a more straightforward formula for calculating royalties and guaranteed Persia an annual minimum payment of £975,000. Other provisions gave the Persians more independence from the British company and more control over their oil, reduced by 80 percent the concession area, promised that qualified Persians would receive managerial positions within the company, and pledged to hire only Persians for the company's many unskilled jobs. The only provision that directly benefited the APOC was an extension of the concession’s expiration date from 1961 to 1993. In hindsight, this provision had little significance for the British but fueled Persian discontent that the APOC would control the nation’s oil resources until almost the
end of the century. The agreement, which seemed to resolve a host of outstanding problems between the Persian government and the APOC, ushered in a period of peaceful relations between the two parties that lasted until the Second World War.\(^{12}\)

Wartime conditions conspired to dash hopes in Iran (as Persia was known after 1935) for greater control over local oil resources. After the German invasion of the Soviet Union in June 1941, Iran became an important artery for the passage of Allied supplies to the Soviet Union. British and Soviet troops thus occupied Iran in August, much to the dismay of Reza Shah, who favored the Axis Powers and whose troops resisted the Allied move. When this resistance collapsed, Reza Shah abdicated in favor of his twenty-one-year-old son, Mohammed Reza Pahlavi, who agreed in January 1942 that British and Soviet troops could remain in Iran until six months after the end of the war. Although not covered in the occupation agreement, American troops were also on hand to operate Iran's ports and railways so as to facilitate the movement of Lend-Lease goods to the Soviet Union. As the extensive literature on wartime developments underscores, this involvement marked a turning point in American policy.\(^{13}\) Prior to this point, U.S. officials had left the other Great Powers to their own devices in Iran. With the outbreak of war, however, they came to see Iran's strategic importance and value to the Allied war effort and endeavored to shape their policies accordingly.

Indeed, American leaders began looking beyond Iran's wartime value as a corridor to the Soviet Union to its importance as a supplier of petroleum. Wartime consumption convinced them of the finite nature of domestic oil reserves and led to a search for new reserves abroad and for new ways to safeguard existing sources. Although government officials saw Iran primarily as a buffer between the Soviet Union and the valuable U.S. oil interests in the Persian Gulf, notably in Saudi
Arabia, some U.S. companies sought concessions in the area of southern Iran abrogated by the AIOC in 1933. These efforts collapsed, as did Soviet attempts to gain a concession in northern Iran, when the Iranians decided in September 1944 to suspend all concession talks until after the war. Nevertheless, Soviet opposition to this decision and the competition for oil among erstwhile allies signaled differences that would make Iran a diplomatic battleground in the early Cold War.

After the Second World War, the Soviets refused to withdraw their troops unless they received an oil concession in northern Iran and supported a separatist movement that aimed to liberate the northern province of Azerbaijan from Tehran's control. The resulting dispute was one of the first to go before the nascent United Nations, although Iranian Premier Ahmad Qavam ultimately rendered UN action unnecessary. By agreeing to Soviet demands for an oil concession, he secured the withdrawal of Soviet troops and recognition of the Azerbaijan issue as an internal Iranian problem. In the months that followed, however, Qavam delayed submission of the oil agreement to the Iranian Majlis, which was legally charged with affirming foreign concessions. If Qavam thus sought to close the door to a Soviet concession, this door was locked forever by a new law sponsored by future Prime Minister Mohammed Mossadegh and passed by the Majlis in November 1947. The new law was both a direct descendant of the 1932 cancellation of the AIOC's concession agreement and a lineal ancestor of the 1951 nationalization law. Aside from prohibiting new concessions to foreigners, including the Soviets, it instructed the Iranian government to hammer out a better agreement with the AIOC. In a single stroke the 1947 law thus delivered a deathblow to Soviet designs in northern Iran and set the stage for the Anglo-Iranian crisis of the 1950s.

The United States was not a direct participant in the Irano-Soviet dispute, but it had not been oblivious to the unfolding struggle. On the contrary, along with
George Kennan's "long telegram" and the Truman Doctrine, U.S. opposition to Soviet tactics in Iran signaled the development of the American containment policy. The State Department worried lest Soviet gains in northern Iran jeopardize the British position in the south and clear a path to Soviet expansion through the Persian Gulf to the oil-rich Middle East, an area of major strategic as well as economic importance to the United States and its allies in Western Europe. Guided by this conclusion, Secretary of State James F. Byrnes defended Iran's sovereignty against Soviet encroachment and sought to mobilize the United Nations against Moscow's policy. The Soviet-American confrontation that resulted highlighted the value that both East and West placed on oil, and on Iran's importance in controlling it. It also signaled an increasingly rigid American policy toward the Soviet Union, led to the first U.S. assessments of Iran's importance to Western security, and laid the basis for American intervention in the 1950s.16

As we have seen, World War II had pointed up the increasing importance of oil as a weapon of both war and of peace. Perhaps anticipating the demise of the Soviet-American alliance, wartime planners in Washington had begun to study how best to protect oil-rich areas from Soviet aggrandizement. Their goal was to ensure adequate oil supplies to the West while denying them to the East. In Iran, this policy manifested itself in U.S. military missions to the Iranian army and Gendarmerie and in the sale of surplus American military equipment to the Iranian government.17 Through these initiatives the Americans hoped to buttress the Iranian government against Communist-inspired subversion or Soviet aggression. They also hoped to inspire Iranian goodwill toward the United States and thereby boost their own prestige in Iran.

Postwar policymakers reiterated the wartime belief that Iran constituted the first line of defense against Soviet penetration of the Persian Gulf. Their thinking
encapsulated an early version of what later became known as the domino theory. If the Soviets could dominate Iran, as the Joint Chiefs of Staff explained in 1946, they could also control the oil-rich areas of Iraq and Saudi Arabia. The United States and its allies would be cut off from a resource deemed essential to victory in a modern war. For this reason alone, the Soviets had to be denied even a modicum of influence in Iran, lest they use it to attack Western interests there and throughout the Middle East. Nor was oil the only thing that made Iran important to the West. Iran also lay astride vital channels of communication to parts of the world beyond the Middle East, to India, for example, and to the eastern Mediterranean. If the Western position in Iran gave way to Soviet penetration, or so American policymakers feared, the security of these areas would be imperiled as well. The United States would be forced back to the Atlantic and the Western Hemisphere, and Great Britain would be isolated and increasingly vulnerable to Soviet pressure. For all of these reasons, postwar policymakers continued to supply American military advisers and supplies to the government in Tehran.

For other reasons, however, the Americans would not provide economic aid on a scale comparable to the assistance going to Greece and Turkey under the Truman Doctrine or to Western Europe under the Marshall Plan. Iran, they argued, was in better economic shape than Greece, Turkey, and the countries of Western Europe and was thus in a better position to contain potential threats to its internal stability and security. The corruption, waste, and inefficiency that plagued most Iranian governments also prompted American analysts to employ the China analogy and to limit assistance until the Iranians made greater efforts to help themselves. In addition, policymakers in Washington feared that large-scale aid would be difficult to explain to the American public or would provoke Soviet intervention and thereby lead to the very danger they sought to preclude. Besides,
they said, Great Britain was primarily responsible for the defense of the Middle
East region as a whole, and Iran in particular. Independent initiatives might
undermine Britain's position in the area. Taken together, these considerations
meant that Iran fell short of top priority in Washington's immediate postwar
planning, its strategic location and oil reserves notwithstanding.

Just as American policymakers were wrestling with the postwar importance of
the Middle East to Western security, so were the nations of the region redefining
their relationship with the Great Powers. During the immediate postwar period,
nationalist movements throughout the developing world aimed to expel foreign
powers and seize control of their own affairs. Leaders in India and other countries
with a colonial heritage sought the overthrow of European imperialist powers, in
most cases Great Britain or France. In countries that were not under formal
colonial control, Egypt being a case in point, they sought the withdraw of foreign
troops or the nationalizion of natural resources or industrial assets long dominated
by foreign corporations.

This was the case in Iran as well, where nationalist opposition to foreign
domination had led to the 1947 law that prohibited new oil concessions and
demanded better terms for Iran from the AIOC. In actuality, Iranian nationalism
had been evident much earlier, in the struggle against a 1907 plan for Anglo-
Russian partition of the country, for example, and in Iranian opposition to a 1919
Anglo-Persian agreement that would have made Iran a virtual protectorate of Great
Britain. From its earliest days, then, Iranian nationalism had aimed to eradicate
foreign influence from the country. This same aim would be evident in the battle
with Britian for nationalization of the oil industry during the 1950s. Instead of
creating an effective central government that would attend to the needs of the
Iranian people, as Richard Cottam argues, Mossadegh's nationalist movement
sought to eliminate British influence from all facets of Iranian life.  

For their part, the American and British governments initially tried to accommodate the rising tide of nationalism, especially in countries that were potential allies in the Cold War. The Americans saw nationalism as preferable to communism. The British agreed. As William Roger Louis has pointed out, "accommodation of moderate nationalism to prevent political extremism" was a principal tenet of the first postwar Labour government. Guided by this tenet, the British hoped to encourage economic and political modernization as a way to preserve their influence and preempt political revolutions in the Third World. But this strategy was easier to design than to implement. In Iran as elsewhere, nationalist elements viewed British policy with suspicion and would settle for nothing less than complete independence from all vestiges of foreign control. Nor was this the only problem. Despite an American loan in 1945, the British lacked the financial resources to promote economic modernization and development in the Third World. The sterling crises of 1947 and 1949 made a bad situation worse. Under the weight of these events, the British were forced to retrench their overseas commitments, first in Germany and Greece, where they asked the Americans to shoulder a larger share of the burden of postwar stabilization, and then in Iran, where they also sought to bolster their position with economic and diplomatic assistance from the United States.  

Although the British were willing to step aside in Germany and Greece, the economic benefits they derived from their association with Iran made British leaders reluctant to see their position in that country supplanted by the United States. They resented American efforts to promote political and economic reforms that would make the government in Tehran more efficient and self-supporting. To their way of thinking, these reforms would compromise the British position in
Tehran, diminish the financial benefits that London secured from its relations with Iran, weaken British prestige throughout the Middle East, and set a precedent that would encourage similar developments elsewhere. It was better, they thought, to maintain Iran's historic dependence on Great Britain.

The Anglo-Iranian oil controversy provides a good illustration of the early differences between the American and British responses to the nationalist aspirations of developing countries, particularly countries with substantial oil resources. On the American side, oil companies sought to assuage nationalist sentiment in order to safeguard their concessions and prevent nationalization. They negotiated for the first time an agreement that gave the Venezuelan government an equal share of oil profits, and then used this agreement as a model in subsequent negotiations with the oil-producing states of the Middle East. The State Department endorsed this policy. In the case of Saudi Arabia, for example, the State Department encouraged the Arabian-American Oil Company (ARAMCO) to accept Saudi demands for the payment of larger royalties and also supported an arrangement whereby the company would deduct the increase from taxes due the American government. The Saudi agreement, signed in December 1950, would influence events in Iran, where the British were pursuing a policy markedly different from the one favored in Washington.

British policymakers and AIOC officials alike had historically turned a blind eye to Iranian demands for larger royalties, for limitations on the duration of the AIOC's concession, and for greater local control over the oil industry. They had also failed to take seriously complaints about the company's interference in Iran's internal affairs and its tendency to act as a sovereign entity, exempt from Iranian law. Some British leaders even went so far as to criticize the American companies for seeking to assuage nationalist sentiments, arguing that such a strategy tended to
undermine Britain's position in countries like Iran.

The negotiations prescribed by the 1947 law illustrated the determination of British leaders to maintain their control over the Iranian oil industry, as well as the depth of Iranian opposition to the AIOC. At the start of the negotiations, the Iranians submitted a twenty-five-point protest detailing how the company had fulfilled or failed to fulfill the provisions of the 1933 agreement. They complained of the disparity between the oil revenues of the company and the Iranian government, £250 million and £90 million, respectively, in the years between 1945 and 1950. Also featured on their list was the company's decision to discount the price of Iranian oil sold to the British navy and air force, the long-term nature of its concession, and its dilatory and half-hearted efforts to Iranianize its operations. Especially infuriating was the AIOC's use of unskilled Indian workers and its reluctance to give Iranians managerial positions within the company. Well aware of the comparatively generous fifty-fifty agreement negotiated by American companies with the Venezuelan government, the Iranians demanded a similar arrangement for themselves. They also wanted representation on the AIOC's board of directors, the elevation of Iranian workers to positions of authority, the right to examine the company's books, and periodic review of the concession itself.24

The AIOC seemed willing to pay higher royalties and speed the pace of Iranianization, but was reluctant to consider concessions on other fundamental issues. Iran was Britain's largest single foreign investment and the AIOC's largest operation, providing 76 percent of the company's crude oil in 1949. It thus constituted an asset of enormous, and seemingly irreplaceable, wealth. For this reason, the AIOC kept the negotiations of 1948 and 1949 focused on issues such as royalties and Iranianization where it could afford concessions without losing control of the industry. No doubt concerned about the efficiency and continued profitability
of their operations, and blind to the spirit of Iranian nationalism, AIOC officials refused to discuss Tehran’s demands for representation on the company’s board, for access to its books, and for periodic review of the concession. In a rare example of self-criticism, the AIOC’s official historian argued astutely that company officials sealed their own fate when they failed to realize that greater control, not just larger revenues, motivated Iranian policy.25

Because of their differences, the two sides finally reached what turned out to be an unsatisfactory arrangement, known as the Gass-Golshayan Agreement or, more commonly, the Supplemental Oil Agreement. Signed on 17 July 1949, its main provisions included an increase in Iran’s per ton royalty from 4 to 6 shillings and an annual payment of 1 shilling per ton in taxes to the Iranian government. Once the Majlis had ratified the agreement, both provisions would be retroactive to 1948. In addition, the agreement guaranteed a minimum annual payment to Iran of £4 million and a different basis for determining the price of oil sold in Iran.26 AIOC officials proudly proclaimed the supplemental agreement as the best one in the Middle East and said that it would provide Iran with larger royalties than an equal division of profits.

Many Iranians, however, especially some members of the Majlis, thought otherwise. In their eyes, the agreement was a fraud perpetrated by traitors who wished to perpetuate British domination of the country. It did not address many of Iran’s long-standing grievances against the company, failed to safeguard its national interest, and deserved to be rejected if only because it affirmed the 1933 accord, which they considered an invalid concession negotiated under duress and signed by an autocratic regime that did not represent the will of the people. Opposition deputies voiced their views when the Majlis debated the new agreement in late July. They monopolized the floor, blocked the government’s efforts to make a case for
the agreement, and prevented a vote before the Fifteenth Majlis expired on the
twenty-eighth. A decision on the oil question was thus postponed until early 1950,
when the new Sixteenth Majlis would convene.27

The reasons for government haste in submitting the supplemental agreement
to the Majlis will never be known for sure, nor will we know whether the Fifteenth
Majlis would have rejected the agreement if a vote had been taken. What is certain
is that the new agreement served as a catalyst for Iranian opposition against the
AIOC and that it provided the opportunity for a handful of opponents to consolidate
their ranks and to turn the elections for the Sixteenth Majlis into a referendum on
the oil issue. Because the agreement failed to address important Iranian grievances,
it united the Iranian public in unprecedented opposition to both the company and
the British government. As subsequent chapters will show, the failure of British
leaders to recognize the strength of this opposition cost them their monopoly on
Iranian oil. It also led to a rift in Iran’s relations with the West that still runs deep
four decades later.
NOTES


3 For examples see Diba, Mossadegh; and Amir Taheri, Nest of Spies: America's Journey to Disaster in Iran (London, 1988).

4 See, for example, Elwell-Sutton, Persian Oil.


8 For this revisionist argument see, for example, Alan S. Milward, The Reconstruction of Western Europe, 1945-1951 (Berkeley, 1984); and Fraser J. Harbutt, The Iron Curtain: Churchill, America, and the Origins of the Cold War (New York, 1986).

Unless otherwise stated, the statistics are taken from Longrigg, *Oil in the Middle East*, 35-36.

Again, the statistics are taken from ibid., 58.


These developments may be followed in Terry H. Anderson, *The United States, Great Britain, and the Cold War, 1944-1947* (Columbia, MO, 1981), 100-107,

17 For the wartime American agreements see Lytle, Origins of the Iranian-American Alliance, 27-32, 103-17; and Ramazani, Iran's Foreign Policy, 70-90.

18 For this argument see Lytle, Origins of the Iranian-American Alliance, 177-78.

19 See ibid., 138-39, 144, 174-75; Kuniholm, Origins of the Cold War, 422; and Ramazani, Iran's Foreign Policy, 154-66.


21 On Iranian nationalism see Richard Cottam, Nationalism in Iran, 2d rev. ed. (Pittsburgh, 1979); and idem, "Nationalism in Twentieth-Century Iran and Dr. Muhammad Musaddiq," in Musaddiq, Iranian Nationalism, and Oil, ed. James A. Bill and Wm. Roger Louis (Austin, 1988), 23-46.

22 See Louis, British Empire in the Middle East, 46-47. See also the sources cited in the previous note.


24 This and the following paragraphs are based on Ronald W. Ferrier, "The Anglo-Iranian Oil Dispute: A Triangular Relationship," in Bill and Louis, eds.,


^Text of the supplemental agreement may be found in Ghosh, *Anglo-Iranian Oil Dispute*, 298-99.

^On Majlis debate regarding the supplemental agreement see Elwell-Sutton, *Persian Oil*, 178-81.
The battle lines that would characterize the Iranian nationalization crisis were drawn during 1950, when both the Iranians and the British enunciated their inherently incompatible positions on the supplemental agreement. For Iranian nationalists, rejection of the agreement became a political necessity if the nation were to attain true independence from British influence. Nationalization of the AIOC was not at first Tehran’s goal. Instead, that idea appears to have gained popular support only after the British refused to grant the Iranians greater control over the oil industry’s operations, thereby fueling charges that the British sought to perpetuate their traditional control over the country. In this way, the campaign for nationalization appears to have stemmed, at least in part, from Britain’s inflexible, commercially motivated approach to the oil problem. For policymakers in London, and especially within the AIOC, the supplemental agreement was little more than a financial transaction. Steadfastly refusing to surrender effective control over oil operations to the Iranians, British officials focused their attention on financial provisions like higher royalties and ignored Iranian demands for the appointment of Iranians to positions of authority within the company, for access to the company’s books, and for representation on its board of directors. These concessions, which entailed little or no financial cost to the company, were in its eyes the most risky and thus the most unacceptable, because they would weaken the AIOC’s hold on the Iranian oil industry and might lead to the destruction of its entire position in Iran.
American policymakers did not share this antipathy toward concessions to Iran's demands for a greater stake in the oil industry. On the contrary, they pushed relentlessly for British flexibility as a means of defusing anti-British sentiment in Iran and of avoiding nationalization or a potentially disastrous loss of Iranian oil to the Soviets. But despite Washington's definite ideas about how the Iranian situation should be handled, it did little to put those ideas into practice. Commitments to Western Europe and, after June, to the war in Korea prevented American policymakers from intervening directly in the Anglo-Iranian dispute and made them dependent on the British to bolster Iran and the Middle East against Communist expansion. Although American officials truly feared for Iran's security, especially after the outbreak of the Korean War seemed to portend an imminent Soviet invasion of the Middle East, they remained officially uninvolved in the Iranian crisis. Even the importance of Iranian oil for the ongoing war in Korea failed to elicit an aggressive American policy in Iran. In a nutshell, American policy during this first year of the oil dispute consisted of private criticism of the British position but public displays of neutrality. Ultimately, America's behind-the-scenes efforts to move the British toward greater flexibility failed to forestall the Iranian push for nationalization and forced the Truman administration to play a more active role in the search for an acceptable solution.

In early 1950, a satisfactory settlement with the AIOC loomed as the key to Iran's economic development. The poor harvests of recent years and the economic neglect of the war period had compounded the more fundamental problems associated with a peasant economy geared to inefficient agricultural production, including a serious imbalance of payments, an inadequate industrial infrastructure, poor communication and transportation networks, and a regressive system of
taxation. To reverse these problems, Iran had embarked on a Seven Year Plan of "social development through economic improvement." Drawn up by an American firm under the direction of Max W. Thornburg, the $650-million plan was a pet project of the young shah, Mohammed Reza Pahlavi, who had spent the closing months of 1949 seeking an American program of economic assistance that would help to finance both the Seven Year Plan and substantial increases in Iran's military capacity. According to the shah, expenditures in both areas were necessary to guarantee Iran's future. The Seven Year Plan of industrial modernization would bring the country into the twentieth century, and increases in Iran's military forces would allow the nation to defend itself against Soviet expansion. American officials saw things differently. To finance the Seven Year Plan, they recommended more efficient utilization of Iran's oil revenues and assistance from such institutions as the World Bank. On the subject of military increases, they reminded the shah of China's Chiang Kai-shek, whose preoccupation with military hardware had contributed to his defeat. With the prospects of substantial American aid thus dashed, Iran became increasingly dependent on oil revenues, to be determined by the Supplemental Oil Agreement, to underwrite its economic modernization and its military program.1

This dependence raised problems for the agreement in Tehran, where critics saw it as a symbol of Iran's past, not as a route to its economic future. Leading the opposition was a loose coalition of social, economic, and political groups organized in the National Front. The National Front's social and financial support came from members of the urban middle class--politicized bazaar merchants, the white collar intelligentsia, students, professionals, shopkeepers, and artisans--as well as from numerous radical, antiforeign religious and clerical elements. Politically, its supporters spanned the entire spectrum of ideological beliefs. On the left was the anti-Communist, labor-dominated Toilers' party, led by Mozaffar Baqai and Khalil
Maleki; on the right was the Pan-Iran party, composed of middle- and lower-middle-class secondary school students and athletic society toughs; and in the middle was the Iran party, which drew its support primarily from technocrats and professional people. The front's disparate members had only one thing in common: opposition to foreign, and especially British, control over Iran. Its immediate goal was thus rejection of the supplemental agreement; its ultimate aim was the institutionalization of parliamentary reforms and constitutional principles that would lead Iran to real independence and to democracy.2

The front's de facto leader was Mohammed Mossadegh, an intensely nationalistic septuagenarian who had dedicated his life to purging foreign influence from Iran. A member of Iran's upper class and a descendent of the Qajar dynasty, Mossadegh earned a doctorate in law from Neuchâtel University in Switzerland in 1914. His subsequent government posts included stints as governor-general of Fars and Azerbaijan, minister of finance, and minister of foreign affairs. His legislative career began in 1920, when he was elected to the Fifth Majlis as a deputy from Tehran. A vocal critic of Reza Shah's drift toward dictatorship, Mossadegh was imprisoned in 1940 and gained his freedom only after Reza Shah's pro-Nazi tendencies led the Allies to force him into exile the following year.3

In 1944, Mossadegh became the leading deputy from Tehran in the Fourteenth Majlis and immediately launched a vocal campaign for the end of all foreign influence in Iran, the most notable component of which was the 1947 law against the granting of new oil concessions without prior Majlis approval. As we have seen, this law led not only to the denial of an oil concession in northern Iran to the Soviet Union but also to the renegotiation of the AIOC's concession that resulted in the supplemental agreement. During late 1949 and early 1950, Mossadegh mobilized his supporters in Tehran against the new agreement, which he saw as perpetuating foreign control over Iran's oil resources. After the Sixteenth
Majlis was seated on 9 February, he used his position as head of that body's seven-member National Front contingent to call for the agreement's rejection and then for the outright nationalization of the AIOC. Only then, he asserted, could Iran be truly independent.\textsuperscript{4}

Initially, Mossadegh's position had limited appeal. No more than a handful of Majlis deputies favored nationalization. And the idea had no support in the Senate, the elitist upper house provided for in the Constitution of 1906 to counter the popularly elected Majlis. The Senate was to contain thirty members from Tehran and thirty from the provinces; half of each group would be appointed directly by the shah, the other half would be selected through general elections. It was not formally established until 1949, when the shah sought to consolidate and expand his power in the aftermath of an attempt on his life in February of that year. The would-be assassin had ties to both the Tudeh party and to Islamic fundamentalist groups, and was killed on the spot by the shah's bodyguard. As a result of the attack, the government declared martial law and launched a full-scale campaign against the Tudeh party. It also acquiesced in the shah's decision to create the Senate, probably in an effort to deter him from dissolving the Majlis.\textsuperscript{5} As a body drawn from the most conservative elements of the Iranian population, the Senate was bound to oppose Mossadegh's budding campaign for nationalization. Nationalization, after all, would threaten the traditional British interests that had made the Senate's members wealthy and powerful.\textsuperscript{6}

Also opposed to nationalization was the Communist Tudeh party, which owed its allegiance to Moscow and sought to further Soviet interests in Iran. Although the Tudeh had been forced underground after the assassination attempt on the shah in 1949, it enjoyed substantial support among Iranian workers, especially those in the oil industry. For the Tudeh, nationalization was an American-inspired plot to supplant the British in Iran, to the long-term detriment of the Soviet Union.
Although the party would occasionally change its tune and ally with the National Front, in 1950 it bitterly opposed both nationalization and the nationalist movement, which it saw as a threat to the Tudeh's position as the best-organized political group in Iran.7

The Senate and Tudeh positions notwithstanding, Mossadegh's campaign for nationalization encouraged Prime Minister Mohammed Saed to seek more generous royalty payments than those specified in the supplemental agreement and a larger stake for Iranians in the company's operations. Success in these efforts would help assuage nationalist sentiment and add to the funds available for Iran's modernization. For their part, however, the British adopted what the Americans saw as a "take it or leave it" attitude with regard to the supplemental agreement. The Foreign Office believed that further negotiations would lead to a never-ending spiral of additional demands and further concessions. As Alan Leavett of the Eastern Department reported in January: "The Persian appetite for concessions 'grows with what it feeds on' and any weakening of our present attitude at this stage would instantly wreck whatever chances we may have of getting ratification." In addition, Leavett and his colleagues were convinced that company officials had already gone far enough in yielding to Iranian demands and that further concessions would be fruitless. To their way of thinking, Iranian opposition was "based not on any objective assessment of the reasonableness of the agreement but on emotion and prejudice." There was "no reason to suppose that any practicable further concessions" would secure ratification. After all, the Iranians at this point had merely expressed a general dissatisfaction with the agreement; they had not made specific demands for additional concessions. Under these circumstances, neither the AIOC nor the British government would "budge an inch."8

It was this British attitude that Secretary of State Dean Acheson had in mind when he later wrote that "never had so few lost so much so stupidly and so fast."9 To
be sure, he and other American policymakers worried that "too much 'take'" on the part of Iran was as dangerous as "too little 'give'" on the part of the British. Iranian officials requested "the 'good offices and moderate support' of the United States" in resolving the dispute with Britain, but American officials refused to become directly involved. It would be difficult to justify such involvement to the British, the Americans said, and it would run the risk of encouraging Iran's desire to renegotiate the supplemental agreement. Unofficially, however, American leaders worked closely with the British to resolve the Anglo-Iranian imbroglio. A close working relationship squared with the "spirit" of cooperation to which both countries aspired and with the leading role that Britain played in Iran and throughout the Middle East. The Americans wanted to reinforce Britain's position in the region, both as a prop to stability there and as a barrier to Soviet expansion. At the same time, however, the Americans took advantage of this working relationship to level strong criticisms against British policy and to press the AIOC for additional concessions.

What the British saw as "emotion and prejudice" in Iran, the Americans saw as a fervent nationalism that had to be assuaged if the supplemental agreement were to be approved and all oil concessions in the area were to be preserved. In addition, the State Department worried that British inflexibility would undermine the moderate government of Saed, allow radical nationalists in that country to triumph, and push the Iranians into the Soviet camp, thereby depriving the West of much-needed Iranian oil. The U.S. ambassador in Tehran, John C. Wiley, repeatedly chastized his British counterpart for Britain's rigid refusal to consider concessions beyond those already included in the supplemental agreement. Once the AIOC had decided to renegotiate the 1933 accord, he reasoned, it was bound to continue the negotiations until both sides were satisfied. George C. McGhee, the assistant secretary of state for Near Eastern and African Affairs, made a similar point in a heated discussion with AIOC representatives in late January. When company
officials protested that Iranian demands would leave them with "nothing in the till," McGhee, an oilman himself, responded with angry sarcasm. He had read the AIOC's annual report, McGhee said, and the company's "profits were still far from disappearing." He went on to note the recent agreements negotiated by American oil companies with countries in the Western Hemisphere, like Venezuela, agreements that accorded the countries involved better terms than the AIOC would concede to Iran. The British company, he implied, should follow the American example. It should "deal with the situation realistically by recognizing the legitimate demands of oil producing states."\(^{13}\)

Instead of negotiating additional concessions, however, the Foreign Office thought in terms of a public information campaign that would educate the Iranians to the errors of their ways. By all accounts, public opinion in Iran ran decidedly against ratification of the agreement. The National Front's extensive anti-AIOC campaign played on the nationalistic sentiments of the Iranian masses and fomented popular opposition to the agreement. Meanwhile, the Saed government did little to counter the growing public impression that the agreement perpetuated foreign control over Iran's national resources at the expense of Iran's economic and political interests. In February 1950, Sir John Le Rougetel, the British ambassador in Tehran, went so far as to privately accuse Iranian officials of waging a propaganda campaign against the supplemental agreement and of inspiring Wiley's pessimism about the prospects for ratification.\(^{14}\) Needed, Le Rougetel and others argued, was a countercampaign to inform the Iranians of the benefits that would accrue from ratification. "There is still a conspicuous absence of enlightenment," he complained, and "it will not be provided by the Persians themselves." Under these circumstances, Le Rougetel elaborated, the AIOC should allow its "local representative some degree of freedom in explaining the value of the Agreement."\(^{15}\) Similar recommendations came from other quarters. Michael Wright of the Foreign Office
insisted that criticism of the agreement in Tehran stemmed from "ignorance of [its] benefits for Persia . . . or from failure on the part of those in authority to explain these benefits." Leavett urged the AIOC to act before the Majlis met to consider the supplemental agreement, thereby countering what he predicted would be a continuing "campaign of abuse and misrepresentation" by Iranian nationalists. And Sir Francis Shepherd, who succeeded Le Rougetel as British ambassador in February, warned that something must be done to "familiarize Deputies and Senators with the main points of the Agreement." Otherwise, he said, the agreement "might be rejected."16

In spite of these and other pleas, AIOC officials were at first dead set against any kind of company-sponsored public information campaign. It was up to the Iranian government, they argued, to educate the general public and the Majlis to the benefits of the supplemental agreement. Any effort on the company's part to sell the agreement would be construed as interference in Iran's domestic affairs and would undoubtedly backfire. At least one member of the British embassy in Tehran, counselor Valentine G. Lawford, agreed, telling the shah that it was incumbent on the Iranian government to "do some propaganda." "It must surely be wrong in principle," he later elaborated, "for a large concern like the A.I.O.C. to tout their own cause 'round the Persian bazaars." The result of such an effort, Lawford concluded, "would probably be the reverse of what was intended."17

Given the highly charged political situation in Tehran, it was unlikely that a British information campaign would have done much good. The National Front's attacks on the supplemental agreement had found a receptive audience, both within the Majlis and among the people of Tehran, and had kept the agreement from coming up for debate on the floor of the Majlis. With popular emotion seemingly running against the oil agreement, the AIOC would sanction an information campaign only if it were "closely coordinated with the [Iranian] government" and
had its "approval." But according to Le Rougetel, even those officials "who profess[ed] friendship for England" were reluctant to throw their weight behind the agreement. This was true of Prime Minister Saed, who was widely regarded as holding pro-British sentiments. Saed had been premier when the oil agreement was signed and had been reappointed by the shah in February for the express purpose of pushing the agreement through the Majlis. Reluctance to "incur the odium" of the agreement's critics in the Majlis, however, kept him from publicly supporting it, even in the face of pressure from the shah, who appreciated both the difficulties involved in securing ratification and the importance of increasing Iran's oil royalties.

Saed's failure on 19 March to win a vote of confidence from the Majlis gave the shah an excuse to replace him with Ali Mansur, a staunch conservative who had once served as prime minister under Reza Shah and more recently as director of the Plan Organization established to administer the Seven Year Plan. Mansur succumbed to the shah's pressure and submitted the supplemental agreement to the Majlis in June 1950, throwing that body into an "uproar" and earning the enmity of the National Front, which still sought to reject the agreement and to nationalize the AIOC's Iranian holdings. Although appointed, like Saed, for the purpose of securing ratification, Mansur had been reluctant from the start to challenge the National Front. He had intrigued with Mossadegh to stall submission of the agreement to the Majlis and withheld his support thereafter. In addition, Mansur had sought to appease the oil agreement's critics by winning additional concessions from the AIOC, seeking in particular £6 million in advance royalties to aid Iran's troubled economy and to finance the Seven Year Plan. But even when the company agreed to an immediate advance of £3 million and to further installments of £1 million each at the end of May, June, and July, Mansur was unable to placate the National Front. He then tried to save the agreement by placing it before a special eighteen-member commission. The commission was to examine the agreement,
make what Mansur hoped would be a positive recommendation, and thus enable him to overcome critics in the Majlis. This strategy failed when the National Front gained control of the commission, however, and in June the shah was forced to dismiss Mansur as he had earlier dismissed Saed.20

Nor was Iran the only fly in the ointment; the British still had trouble squaring their plans with thinking in the State Department. Like the British, American policymakers wanted the AIOC to undertake a public relations campaign and were delighted when the company seemed amenable to the idea.21 But where the Americans would target the "widest possible audience" in Iran, the British would aim at "key people in [the] Iranian Government."22 Given these differences and the lack of Iranian support, the British abandoned the original plan for a vigorous information campaign, limiting their effort instead to a small pamphlet distributed to members of the Iranian government. This "Child's Guide" to the supplemental agreement, a joint effort of the AIOC and the British government, was hardly the kind of education effort the State Department had envisioned.23

Anglo-American differences grew worse when the Iranian oil crisis was discussed at the London Foreign Ministers' meeting that opened in May. U.S. position papers prepared for the conference blamed the Anglo-Iranian stalemate on the "rigid stand [taken] by the [AIOC] and the British Government." While still convinced that the United States "could not properly inject itself" into the dispute, American officials also thought that the London meeting would give them another chance to press their views on the British. They wanted the Foreign Office to "do everything in its power" to bring about a speedy conclusion of the crisis, specifically to inform Iran of its willingness "to discuss . . . on a frank and equal basis any and all points at issue."24

This position guided the American delegation when the London conference got under way, with results that were mixed at best. For the first time in their talks
with the Americans, the British admitted that more was at stake in Iran than the supplemental agreement, a commercial transaction whose merits could be calculated on a business ledger that left no room for important political and strategic factors. They agreed with the Americans that Iran was "not in good shape" and that it constituted a "soft spot" in the defense against Communist expansion in the Middle East. A workable oil agreement would help to shore up Iran's ailing economy, they admitted, and thereby keep that country out of the Soviet camp. Beyond these points, however, the British and the Americans remained at loggerheads over the best means of obtaining ratification, specifically over whether additional British concessions were needed in order to secure ratification of the supplemental agreement by the Majlis. Neither party would yield on this question, advancing the same arguments they had made earlier in the year.  

Nor could they harmonize their differences on the equally important issue of American economic aid to the government in Tehran. This was not a new issue for American policymakers, who had already decided that achieving their goals in Iran required an expansion of the modest aid program they had launched earlier. As noted previously, this program had provided Iran with military assistance and advice from American missions attached to the Iranian army and Gendarmerie. Both forms of aid were designed to protect the shah against internal threats, but neither included the sort of economic assistance then being provided to Greece, Turkey, and Western Europe. The Americans had deemed Iran's internal financial situation to be relatively stable and its monetary reserves adequate. For these and other reasons, they had limited their aid and had refused to reverse course when the shah sought in November 1949 more generous assistance for economic and military purposes.  

By the spring of 1950, however, economic conditions in Iran had deteriorated and Iranian cries for additional assistance were beginning to receive a sympathetic
hearing from American officials. Poor harvests during the 1949-50 growing season had sparked a nationwide depression, which if "unchecked might easily result in the political collapse of the country." Although policymakers in the State Department blamed the crisis on the inefficiency of the Iranian government and believed that the Iranians themselves held the power to improve the situation, they were also convinced that increased American aid was "the most effective means of forcing the Iranians in spite of themselves to put their house in order." In other words, by early 1950, officials in the State Department were coming to see American aid as a tool for pushing the Iranians into financial and political reforms that would increase government efficiency, reduce corruption, and so improve their situation as to reduce Iran's need for aid in the future.28

This policy reversal was a welcome development for Ambassador Wiley, who had lamented in February that the American aid program in Iran had "the dimensions of a bag of peanuts." Iran was the "most vulnerable spot on the [Soviet] periphery," he insisted, yet it was "crumbling away" and would certainly collapse without "immediate economic aid." A similar warning came from William M. Rountree, deputy director of the Office of Greek, Turkish, and Iranian Affairs, following a fact-finding mission to Iran in March. The Iranian situation was "dangerous and explosive," he reported to the State Department, and "some form of American financial assistance" was essential.29 In a memorandum to Acheson a month later, McGhee summarized the new consensus in the State Department. Iran's economy was disintegrating, the assistant secretary argued, and "might well result in a collapse of the present political structure and [Iran's] domination by the Soviet Union." McGhee went on to note that America's failure "to extend aid to Iran at a time when substantial assistance is being rendered to Western Europe, Greece, Turkey, and certain other Asian countries" had "intensified the feeling of Iranian leaders and the Iranian people that the United States is not concerned with
their welfare." It was to counteract these sentiments and forestall Iran's collapse that McGhee recommended an expanded program of American aid. This recommendation was then embodied as American policy in the position papers that the State Department prepared on the eve of the London conference.\textsuperscript{30}

At the conference itself, the British were enthusiastic about the prospects of U.S. aid to Iran, but not on the terms favored by the Americans. The British delegation wanted to link American assistance to Iranian ratification of the supplemental agreement. Assistant Undersecretary Wright argued that such a strategy would "bring [the] maximum combined contribution to bear on Iran's present problems." If the Iranians were given American aid without strings attached, or so he worried, they would surely lose their incentive to ratify the oil agreement.\textsuperscript{31} The Americans, however, considered the British suggestion "unwise." They contended that it would involve the United States too deeply in the ongoing oil dispute and rob the AIOC of any incentive to strike a compromise with the Iranian government. It would also preclude immediate American help for the flagging Iranian economy and prevent American leaders from using their aid to leverage the Iranians into important political and economic reforms, such as an overhaul of the tax system and a campaign against government corruption.\textsuperscript{32} This was the position the Americans took at the London conference in May and again in August, when Acheson cabled the U.S. ambassador in London that linking American aid to Iran's ratification of the oil agreement "would not be in [the] best interest of any of the countries involved."\textsuperscript{33}

Instead of this linkage, Acheson and the Americans still wanted the British to adopt a more flexible posture. They continued to decry Britain's "take it or leave it" attitude, the persistent tendency of British officials to view the supplemental agreement as little more than a commercial transaction, and their reluctance to consider even minor modifications. American criticisms were certainly true. But in
defense of the British it should also be added that Iranian leaders had yet to submit official demands, confining themselves to vague and informal requests for additional revenues and stepped up Iranianization. The British Foreign Office summarized its position on additional concessions in a telegram to Tehran in May. "While individual Persians have at various times indicated dissatisfaction with some of [the supplemental agreement's] provisions, the Persian Government had at no time suggested specific modifications. . . . Failing a concrete approach by the Persian Government we doubted whether we could justifiably ask the Company to consider any modifications." The Foreign Office, in other words, was reluctant to ask company officials to modify the agreement when no one knew precisely "what kind of political lubrication might be practicable."35

It was only in late June, when General Ali Razmara succeeded Mansur, that Iranian officials began to articulate specific grievances against the oil agreement and to put forward their conditions for accepting it. As the subsequent discussion makes clear, however, even this newfound Iranian articulation did not result in satisfactory concessions from the AIOC: The company remained steadfast in its insistence that concessions could come only after ratification of the supplemental agreement. Instead of compelling the Iranians to accept the agreement, this rigid posture further fueled the flames of the National Front's campaign for the nationalization of the AIOC.

As we have seen, Prime Minister Ali Mansur had refused to support the supplemental agreement aggressively, despite the AIOC's promise of £6 million in advance royalties. This prevarication probably stemmed from Mansur's fear of antagonizing the National Front, which continued to assail the agreement as an instrument of Britain's colonial control of the Iranian oil industry and the revenues
it generated. It deeply angered the shah, who was anxious to see the oil issue settled so that Iran could begin to benefit from the new financial arrangements contained in the supplemental agreement, and led him to replace Mansur with Ali Razmara, the hero of Azerbaijan who was then chief of the general staff. Razmara, who had long held aspirations to the office of prime minister, was backed by a substantial portion of the court establishment, including the shah's influential twin sister, Princess Ashraf. He played the part of a loyal monarchist and ingratiated himself with the shah, going so far as to consult the monarch on even trivial military matters so as to flatter the shah into thinking he was commander in chief in fact as well as in name. Nevertheless, the shah had been a reluctant champion of Razmara's appointment as prime minister, hesitant to support a powerful general and potential rival but hopeful that Razmara's strong will and determination would contribute to a successful resolution of the long-simmering debate over the supplemental agreement.

For similar reasons, both the British and the Americans were initially enthusiastic about the new prime minister, though careful to keep their enthusiasm under wraps lest it compromise Razmara's standing in the eyes of Iranian nationalists. American and British officials saw Razmara as an honest, no-nonsense politician who stood a better chance than his predecessors of steering the supplemental agreement through the Majlis. To the Anglo-Americans, in fact, his voice seemed to be one of reason and moderation. In conversations with Wiley prior to his appointment as prime minister, Razmara had implied that mere "face-saving" gestures would be required to get the oil agreement ratified. Although he paid lip service to the agreement's commercial terms, his primary concern was the issue of Iranianization: The company had to give Iranians a share of managerial positions and replace its Indian labor force with Iranian workers. With that done, Razmara seemed to say, he could guarantee the agreement's smooth passage.
through the Majlis.39

After assuming office, however, Razmara added other demands. He wanted the AIOC to begin paying royalties on its production from Iranian wells at the new and higher rates stipulated in the unratified oil agreement, and he wanted back payments on all production since the signing of the agreement in July 1949.40 These payments were needed, he said, to finance the Seven Year Plan and to underwrite his program of political and economic reform, which included an anticorruption campaign, government decentralization, tax reform, and land redistribution.41

Lancelot F. L. Pyman of the British embassy in Tehran cautioned that the company was unlikely to accept such an arrangement, a judgment seconded by Geoffrey W. Furlonge, who headed the Foreign Office's Eastern Department. It would take "considerable pressure" by the British government to sway the company's opinion, Furlonge explained, and the government would act only if Razmara were "short of money for good purposes" and if there were no other way he could raise the funds.

The prime minister did not understand such apparently narrow arguments. "If something were not done soon to stop the disintegration" of Iran, he told Shepherd, "there would be no oil for the Company anyhow."42

With the British government reluctant to act, the prime minister took his case directly to the AIOC. At a meeting in late June, Razmara told company officials that if they refused his request for royalties he would be unable to support the oil agreement before the Majlis, a position that almost certainly meant interminable delays and little chance of ratification. If the company adopted "a more reasonable attitude," however, Razmara would back the agreement, along "with [the] necessary face-saving additions, as part [of] his government's 'must' program." The company, Razmara stressed, "should be sufficiently concerned with [the] economic future of Iran as to be more conciliatory and flexible."43

The prime minister's proposition presented the British with a dilemma, which
Shepherd outlined in a long memorandum to the Foreign Office. On the one hand, the AIOC was loath to pay royalties at the new rate, including back payments, "without any guarantee either that the Agreement will be passed or that further concessions will not be demanded when it comes before the Majlis." But on the other hand, some kind of action was necessary "to avoid placing Iran in grave financial difficulties and incidentally seriously endangering Anglo-Iranian relations." Shepherd suggested that in exchange for ratification the company agree to negotiate on the two points most troubling to the Iranians: Iranianization and either Iranian involvement in the company's management or access to information regarding its operations. So far as the first point was concerned, he urged the British to play up a company scheme for gradual Iranianization over a period of years. Concerning the second, he suggested a "separate subsidiary company" that would oversee the AIOC's operations in Iran and include an Iranian director. Leavett agreed with these suggestions and also questioned the company's hesitation to pay royalties at the new rate in advance of ratification. Iran's financial situation was so desperate, he argued, that withholding assistance at this juncture "would be difficult to justify both to the Persians, and to the Americans, who are going out of their way to provide economic assistance."44

Leavett was right about the Americans "going out of their way" to assist Iran financially. They already had opened negotiations for a loan to Iran from the Export-Import Bank and had signed an agreement to provide Iran with funds from the Mutual Defense Assistance Program.45 Both initiatives squared with the earlier recommendations coming from the State Department, and both reflected the growing American concern for the situation in Iran. American policymakers feared that unless the supplemental agreement or a similar arrangement with Britain were signed, control of Iranian oil might fall to the Soviets. Such a development would have far-reaching implications for Western security, especially for America's allies
in Western Europe, who received a substantial portion of their oil from Iran. This concern only intensified after the outbreak of the Korean War in June, at which point American officials began to worry not only about the loss of Iran's oil to the West but also about its vulnerability to a Soviet assault from the north. To prevent these eventualities, President Harry S. Truman proposed an expansion of U.S. economic and military assistance to Iran (and other countries). This assistance would not materialize before 1951. But the administration had at least signaled its support for an expanded aid program and would renew this pledge in October, when the United States and Iran signed a technical assistance agreement under Truman's Point IV program—the first such agreement in the Middle East.46

Mounting concern for the situation in Iran and that country's place in the global framework of American policy led to new tensions between the United States and Great Britain. To be sure, American policymakers still assigned the British primary responsibility for the defense of Iran. American resources and attention, which already had been committed to financing Western European reconstruction, were now being diverted to the war in Korea as well, which meant that the United States could ill afford to become embroiled in a crisis in Iran.47 To alleviate the mounting tensions in that country, American policymakers became more determined than ever to secure early ratification of the supplemental agreement and thus more critical of what they saw as the obstructionist policies of the AIOC. In July, Henry F. Grady replaced Wiley as the American ambassador in Tehran and immediately began chiding the British for treating the supplemental agreement as little more than "an oil question, whereas [the] Iranians have come to regard it as [a] political issue." AIOC officials, he believed, were "counting heavily on financial necessities" to force the Iranians to capitulate; they hoped, he elaborated, that budgetary requirements would eventually force the Iranian government to abandon its demands and accept the supplemental agreement without modification. Such an
"unduly optimistic" attitude was not founded in reality, the ambassador cabled Washington. On the contrary, the "inflexible" British policy risked "the overthrow of the present government" and the triumph of such politicians as Mossadegh who wanted to nationalize Iran's oil resources.\(^{48}\) Acheson's reaction was even stronger. In his view, Razmara's government represented Iran's best hope of stability; its survival required fresh British initiatives that would allow the Iranians to save face and secure the supplemental agreement. British intransigence, Acheson asserted, was "inappropriate to current internal Iranian and world conditions." Britain, he said, was no longer in a position to dictate the terms of a concession to the Iranian government. Iranian nationalism had to be taken into account, and London's failure to do so could only lead to a collapse in Iran, to an expansion of Soviet influence, and to a dangerous setback for the West.\(^{49}\)

Acheson's criticism led to Anglo-American talks in London, out of which came a British proposal for a joint appraisal of the Iranian situation by the American and British ambassadors in Tehran. Although the motives behind this suggestion are unclear, it is probable that the British hoped a joint assessment would involve the Americans more fully in Iran and guarantee their support of Britain's position there. The proposal had strong backing from Lewis Douglas, the American ambassador in London, but not from Ambassador Grady, who wondered whether the time was right for a concerted approach. The new Iranian government had yet to consolidate its position, Grady cautioned, and the United States had still to determine just where that government stood on the oil question. In addition, Grady feared that a joint appraisal would lead to predictable and unacceptable results. In all probability, it would find the supplemental agreement largely acceptable as a business proposition, create the impression of American support for British policy, and put him in the unenviable position of pleading Britain's case to the Iranian government. In any event, Grady concluded, the Iranians saw the problem as
"largely political and emotional" and were not likely to be swayed by an "economic and factual" appraisal.\textsuperscript{50}

Douglas viewed the proposal in a different light. Where Grady thought it tantamount to an Anglo-American "demarche on [the] Iranian government," Douglas saw it as a device for prying additional concessions from the British. The joint appraisal, he insisted, would focus less on the supplemental agreement than on the "political, economic and social situation in Iran which necessitates [the] AIOC making some gesture." There was a good chance of this strategy working, Douglas believed, because the Foreign Office was very anxious to maintain close Anglo-American cooperation, was increasingly "concerned about [the] situation" in Iran, and was "giving [the] matter serious consideration."\textsuperscript{51} These arguments failed to persuade Grady, whose opposition doomed all hopes for the joint appraisal. To his way of thinking, Anglo-American cooperation had to begin with concessions from the AIOC. Submitting the agreement without such concessions would surely guarantee its rejection, discredit Razmara's government, and risk the triumph of radical nationalists who were hostile to American and British interests alike.\textsuperscript{52}

As Grady's thinking illustrates, each side took a different view of how Anglo-American cooperation should work and for what purposes. Ernest Bevin and his colleagues in London saw it as the antidote to an Iranian strategy that would "play us one against the other." If successful, Bevin worried, this strategy would spell disaster for the British position in Iran and throughout the Middle East.\textsuperscript{53} Indeed, it was obvious to Bevin and others that Britain was unable to maintain its position without assistance from the United States. The search for this assistance had been evident throughout the Anglo-Iranian crisis. But the results had fallen short of expectations and had led to angry complaints against Washington's "one-sided" policy of encouraging Iranian aspirations while urging moderation on the British. For their part, American officials also appreciated the value of close Anglo-
American cooperation, but on terms different from those favored in Britain. Where policymakers in London wanted the Americans to buttress Britain's position in Iran, those in Washington looked to British concessions that would stabilize Iran and protect the whole Middle East against Soviet advances.54

These differences, apparent from the start, deepened in proportion to the AIOC's persistent refusal to approach the Iranian crisis with greater flexibility. The British had repeatedly lamented the Iranians' "bazaar method of negotiation," to use Bevin's clever phrase, by which he meant their constant bidding up of unrealistic and ever-changing demands.55 By late August, in fact, Razmara had added a long list of new demands to those he had made soon after taking office. Besides royalties due under the new rates set forth in the supplemental agreement, Razmara wanted guarantees that Iran would pay no more for the oil it consumed than did the AIOC's most favored customers (the British navy and air force), that Iranianization would be completed within ten years, and that Iranian officials could audit the company's records pertaining to its business in Iran and to its exports.56 Because these demands were not onerous, or so the prime minister insisted, he expected the company to approach them with a "responsible attitude." When AIOC officials were less than receptive, Razmara reminded them that "while Iran needed oil revenues, the oil company was just as much in need of Iranian Government cooperation and protection." He went on to say, in a veiled reference to the 1932 cancellation of the company's concession, that Iran could give the British "plenty of trouble if they [did] not cooperate."57

Threats like this made Acheson nervous, because they pointed to a deepening crisis in an area deemed vital to the economic well-being and security of the West. Through Ambassador Grady, Acheson urged the Iranian prime minister to put his concerns about the supplemental agreement in a geopolitical context that included economic and political stability in Iran and throughout the region. Nationalization
of the oil industry, Acheson reminded Razmara, would be an economic and financial disaster for Iran, and would open the country up to Soviet expansion. It was better to continue negotiations with the British than to take rash and unconsidered action that could result in Iran's collapse to communism and the subsequent denial of its vast oil resources to the Western alliance. The British also received a share of the secretary's advice and criticism. Acheson excoriated the AIOC for still approaching the supplemental agreement "as [a] commercial proposition without economic, political and strategic considerations important to [the] outside world." The British government seemed to understand these important considerations, or so Acheson believed, but it was not doing enough to control what he saw as a "government company" and the "last remaining obstacle, [the] AIOC." Acheson's praise for the British government's open-mindedness was a little premature. To be sure, Shepherd and others recognized the precarious economic situation in Iran and the need for greater flexibility by the AIOC. But most officials in the Foreign Office remained firmly opposed to additional concessions, portraying the supplemental agreement as fair by any standard and repeating their conviction that further concessions would do more harm than good. According to Furlonge, additional concessions would merely encourage the Iranians "to open their mouths wider and might decrease, rather than increase, the Prime Minister's will to push [the oil agreement] through the Majlis." Bevin was of the same opinion. In his view, moreover, pressure from Washington only encouraged Iranian efforts to play the Americans and the British off against each other, thereby prolonging the dispute and contributing to Britain's declining prestige in Iran and throughout the world. It would be better, the British agreed, if the State Department advised Grady "to disabuse the Persians of any idea that they can obtain further concessions." Better still in the minds of British policymakers was a joint Anglo-American
loan to Iran conditional on ratification of the supplemental agreement. This idea, which Wright had suggested in May, was resurrected by Bevin in late summer as part of his ongoing effort to put American power behind Britain's flagging position in Iran. Because the British Treasury lacked the resources to float a substantial loan on its own, the scheme's success depended on American cooperation. Although Ambassador Douglas believed that the proposed loan would assure the most efficient use of Anglo-American funds and prevent the Iranians from playing the two countries off against each other, several factors prevented the scheme's implementation. Some British officials objected to a loan that might be used in part to balance Iran's budget, while others wondered if a loan could be justified at a time when the British Treasury was financially strapped and when the Iranians could get sufficient funds in the form of oil royalties simply by ratifying the supplemental agreement. But the coup de grâce came when Acheson rejected the scheme, no doubt for the same reasons he and others had earlier refused to link American aid to Iran's ratification of the supplemental agreement. An Anglo-American loan, he told Douglas in August, would not serve the "best interest of any of [the] countries involved."

Spurned by Acheson, the Foreign Office turned to the AIOC. It urged the company to float a loan to Iran which the British Treasury would guarantee and which would be used to keep the Iranian economy afloat and to smooth the road to ratification of the supplemental agreement. In talks at the Foreign Office, however, company officials continued to exhibit what Razmara described as a "negative attitude." Sir William Fraser, who headed the AIOC's board of directors, seemed to believe that any additional concessions to the Iranians "would be fatal." He also maintained that such issues as Iranianization and oil prices had been settled in the supplemental agreement, that Razmara had raised them again in order to delay ratification, and that the company would reopen negotiations only if Iran
ratified the agreement. Fraser eventually conceded that a company loan, guaranteed by the British government, might help to solve Iran's short-term economic problems until ratification of the supplemental agreement provided a more permanent solution. But his general reluctance to make concessions or to undertake the loan did not please British officials, especially Wright, who had been on hand for the discussions. On the contrary, Wright was convinced that company officials did not fully appreciate the critical situation in Iran or the political nature of the oil dispute.

While the British were discussing a possible loan to Iran, the Americans were laying plans to discuss the Iranian situation at an informal Anglo-American conference on the Middle East scheduled to convene in London in September. As the conference approached, the American critique of British policy grew sharper. A State Department briefing paper described as "sophistry" the AIOC's claim that it could not afford additional royalties or other forms of assistance to Iran. The company's operations were "exceptionally profitable," the paper asserted. Its offers of assistance thus far were "a small concession" by comparison and would do little to stabilize the Iranian government, advance its Seven Year Plan for economic development, or assure ratification of the supplemental agreement. The paper recommended that Assistant Secretary McGhee and the other delegates to the London conference adopt a hard line with the British, urging them to accept Razmara's demands and take Iranian threats of nationalization more seriously.

Representatives of the major American oil companies echoed these views in a meeting at the State Department on 11 September. Although the talks centered on oil matters outside of Iran, McGhee took the opportunity to explain the Iranian situation to the assembled executives and to solicit their views. The executives, he discovered, agreed with the State Department that Iran's "position was reasonable," that "compliance with it would be a sound commercial proposition," and that the
British government was not as anxious as it should be "to effect [a] settlement on reasonable terms." The executives were especially critical of the British government, arguing that the AIOC could not have held so firmly to its position against strong official pressure for concessions. In reporting the results of this conversation, John A. Loftus of the State Department's Near Eastern Division argued that footdragging by the Foreign Office was "perhaps the most important point for Mr. McGhee to have in mind in his London discussions."\(^{69}\)

Sir Oliver Franks, the British ambassador in Washington, alerted the Foreign Office to these American criticisms and to the likelihood that McGhee and company would repeat the State Department's standard line in the London meetings. The Americans, he said, believed that oil companies could "be made powerful instruments" in an Anglo-American "policy to develop the economic resources" of the Middle East. They wanted the companies to heed the rising tide of nationalist sentiment and to ensure that their conduct was "beyond reproach," for once they had "become a subject of criticism," as the AIOC had become in Iran, it was "extremely difficult . . . to recover the initiative." Franks also reported the American belief that the British government, by virtue of its majority ownership, should have more control over the AIOC than the American government had over American oil companies, and should therefore be able to get the company to comply with Iranian demands. It was likely, Franks concluded, that McGhee would make all of these points in his talks with the British in London.\(^{70}\)

This was an accurate forecast of the American position in the London talks, which opened on 21 September. After stressing the seriousness with which his government viewed the Iranian situation, McGhee expressed disappointment that the AIOC "had not shown the same sense of urgency." He conveyed the views of the American oil companies, with whose representatives he had recently met, and especially their belief that "so long as [the AIOC] did not lose control of its board of
directors there was little it could not afford to agree to." The company simply had to accommodate Iranian demands, McGhee argued, if it wanted to protect its investment in Iran. "The advantage in negotiations today lay with the country where the oil properties [are] located," he asserted, "and about the best the companies could do was fight a graceful rearguard action." McGhee pointed to the Arabian-American Oil Company (ARAMCO) in order to illustrate the type of policy he had in mind. ARAMCO was negotiating a new concession with Saudi Arabia and was sure to accept terms that were very generous to the Saudis. McGhee thought that the AIOC would be advised to meet current Iranian demands before the Saudi Arabian terms became known, because at that point Iranian expectations were likely to escalate. Although the British listened to McGhee's assessment of the situation, they refused to commit themselves to anything and merely reiterated the importance of Anglo-American accord. They did, however, express doubts at the AIOC's willingness to meet Razmara's demands for price guarantees, more rapid Iranianization, and the right to audit the AIOC's books.71

Reports from other quarters reaffirmed McGhee's conviction that only positive intervention by the British government could save the supplemental agreement. According to Counselor Arthur L. Richards in Tehran, "the stupid arrogance often exhibited by [AIOC] officials" and the cavalier manner in which they dismissed Razmara's threat to cancel the company's concession might well force the prime minister's hand. There was much more at stake than a commercial arrangement, Richards asserted, and unless the British adopted a more open-minded attitude they would lose even that. Grady also thought the company's position "quite incomprehensible," while Rountree had even stronger words for the British government, which had not changed its policy "one iota despite the present world situation." The Foreign Office, he lamented, seemed willing "to let AIOC come first and to permit the Iranian internal situation to remain in a constant state
of turmoil." Although past efforts to achieve an Anglo-American understanding had failed, Rountree urged the State Department to "keep trying" to "introduce a note of realism" into British policy and to "induce the British Government to escape from its bondage" to the AIOC.\textsuperscript{72}

By late 1950, American pressure had modified thinking within the Foreign Office. Interdepartmental discussions on the Iranian crisis already had yielded the belief that "His Majesty's Government . . . should play a more active part" in inducing the AIOC to reach a settlement with Iran. The "minor palliatives" the company had offered in the past were no longer sufficient; it would have to negotiate "a new agreement with Persia" or accept "fundamental modifications in the Supplemental Oil Agreement." L. Barnett of the Eastern Department thought the company should be willing to concede certain issues, namely the appointment of an Iranian director to a new subsidiary company and more rapid Iranianization, in exchange for Iranian ratification. R. J. Bowker and Eric A. Berthoud explained the new thinking in December, saying that "too much was at stake" for the British to pursue "a policy of complete inaction," and Bevin followed this line in a subsequent talk with Sir William Fraser. He advised Fraser to be as forthcoming as possible with the Iranians, to give Razmara's demands close and careful consideration, and to "find something to offer, even if it were somewhat painful, provided always it was not disastrous."\textsuperscript{73}

There were no signs, however, that the AIOC would respond to this change in government policy. In reply to Bevin's plea to make an offer, "even if it were somewhat painful," Fraser repeated the company's usual line that it was difficult to find something the Iranians would accept. This was the case, though not the whole case. Razmara's demands did change over time. To the list noted earlier, he had added renegotiation of the supplemental agreement in five to ten years and royalty rates comparable to those paid to the government in Iraq by the Iraq Petroleum
Company, of which the AIOC was a member. Razmara also wanted the AIOC to provide free to the Iranian government an amount of oil equivalent to that used by the company in Iran; to finance the construction of cement plants; and to conduct a survey of its concession area to determine the feasibility of a gas piping project. Razmara repeatedly emphasized his own support for the supplemental agreement and his willingness to endorse it publicly, provided the company made concessions that would placate his more radical opponents at home. If the company adopted a generous attitude, Razmara proclaimed, he was confident of a favorable outcome in the Majlis.

The AIOC, though, was not as generous as Razmara had hoped. The company did agree to investigate the feasibility of the gas and cement projects, to provide free oil in the field, and to make a contribution to Tehran University. It was also prepared to reconsider some of the agreement's provisions after ratification and to make additional early royalty payments, including a payment of £3 million in September and another £1 million at the end of each of the next five months. But the company steadfastly refused to make any changes in the supplemental agreement itself, which meant that it would not accede to Razmara's demand, announced in November, for a fifty-fifty sharing of profits from the company's oil operations in Iran. This arrangement would bolster Iran's deteriorating financial condition and bring its oil revenues into line with those currently received by Venezuela and then being demanded by Saudi Arabia. AIOC officials, however, dismissed Razmara's demand as little more than an effort to disarm Iranian nationalists, who thought the British government got more from the Anglo-Iranian relationship than did the Iranian government, particularly in the taxes that the AIOC contributed to the British Treasury and in the discount price that the British admiralty and air force paid for Iranian oil. Taken together, company officials told the Foreign Office, Razmara's demands were too costly. Having reached "the end
of their tether," AIOC executives again ruled out further concessions. This did not bode well for the future of the supplemental agreement, which had been before the Majlis Oil Commission since 26 June. It is in the oil commission that the most significant change in the Iranian situation took place, and it is there that the supplemental agreement finally met its defeat.

iv

Iranian nationalists had never been enamored of the supplemental agreement and had pushed consistently for its improvement, but it was not until the fall of 1950 that Iranian rejection of the agreement and nationalization of the AIOC's concession became real possibilities. Prime Minister Razmara's earlier warning that he would "cause trouble" for the British if his demands were not met were bluffs on his part. He thought that Iran stood to lose as much from cancellation of the oil concession as the British and that it could not possibly manage its oil operations without considerable outside assistance. The shah thought likewise. Still, Razmara was bitter at the AIOC's failure to appreciate the seriousness of the situation, especially because not all Iranians thought as he did about the dangers of nationalization.

As mentioned earlier, the National Front led the drive for nationalization of Iran's oil operations and expulsion of all foreign influence from the country. The party's influence in the Majlis was not substantial—it held only 7 of 131 seats. But its members acted as a bloc and used their status as popularly elected deputies to win the cooperation of their colleagues. The front also acquired a disproportionate representation on the eighteen-member Majlis Oil Commission that Mansur had appointed in June to study the supplemental agreement. The commission had originally contained three front members, but political maneuvering had brought the number to five, including Mossadegh, who was elected chairman, and Hossein
Makki, one of Mossadegh's staunchest supporters, who served as rapporteur. The front's influence became even stronger than these numbers would suggest, in large part because many of the other commissioners also opposed the agreement. Some did so out of personal inclination; others for fear of being branded British stooges by the National Front; still others because they worried that ratification would lead the Soviets to renew their demand for an oil concession in the north, thereby reconstituting the historic Anglo-Russian domination of Iran. Instead of being the instrument for early ratification of the oil agreement, as Mansur had hoped, the commission thus became a device for its rejection at the hands of Iranian nationalists.81

The National Front representatives on the oil commission dominated its proceedings from the very start. They spent the initial meetings examining the government's records pertaining to the supplemental agreement, particularly the twenty-five-point protest prepared during the 1949 negotiations with the AIOC. After considerable study, they found the agreement deficient in several respects. It did not grant the Iranians the right to inspect the AIOC's books; sufficiently provide for Iranianization of the company's workforce; give the Iranians information about the company's sales to the British admiralty and air force; or invest them with control over the price of oil sold in Iran. In addition, they complained, the agreement's financial provisions failed to provide Iran with sufficient revenues.82

As the commission's discussions continued, the oil question took on political as well as economic significance, especially for Mossadegh, Makki, and the other National Front commissioners. It was bad enough, they argued, that the supplemental agreement's financial terms were unfairly slanted toward Britain. But making matters worse was the fact that the agreement perpetuated Britain's traditional domination of Iran's oil industry, which dated back to the D'Arcy Agreement of 1901 and to the AIOC's concession of 1933. Such domination was no
longer acceptable, they maintained. Iran's aroused national consciousness would not allow it to acquiesce silently in this domination, and the emergence of the United Nations as the guarantor of the rights of small nations meant that it did not have to do so. Instead, Mossadegh proclaimed, Iran should nationalize its oil industry, produce enough oil to satisfy domestic requirements, and leave the remainder of the oil "in the ground until the future generation could better benefit from it." Although nationalization was not universally popular among the commissioners, the fervor with which Mossadegh presented it kept the commission from dismissing the idea out of hand.83

Already leaning against the agreement, the commission summoned first Finance Minister Ghulam Husain Furuhar and then Prime Minister Razmara to justify the government's support of such an obviously deficient agreement. Their arguments were not convincing; the commission was unmoved even by Razmara's revelation that he was in the midst of secret negotiations with the AIOC. In mid-October, the commission exercised its legal right of interpellation, asking the government publicly to explain its views on the oil agreement. On the eighteenth, Razmara announced to the Senate that he would not have sent the agreement to the oil commission if he did not support it. He was deliberately vague about his "support," however, and did not repeat his declaration in a later appearance before the Majlis. It is likely that he saw his statement as a means of mollifying critics on the oil commission and thereby moving the agreement to the Majlis, where he was more confident of his ability to secure ratification so long as the AIOC made some real concessions. Whatever the statement meant, it had the effect of securing for the government a vote of confidence in the Majlis.84

In the oil commission, the outcome was different. On 25 November the commissioners voted unanimously to reject the Supplemental Oil Agreement as detrimental to Iran's national interest. It is not clear whether the commission saw
its vote as the last word or as a spur to additional concessions by the AIOC. It is significant, though, that Mossadegh and his allies were unable to mobilize the commission behind their demand for nationalization: The commission adhered strictly to its instructions to report on the acceptability of the supplemental agreement and refrained from considering any other proposals. Mossadegh was not deterred, however, and touted nationalization as the only way to secure "fully the rights of the Iranian people." Although the commission did not recommend nationalization, the decision to reject the supplemental agreement was a blow to the British, even though, as Richards reported from Tehran, "it was generally anticipated."85

American and British officials interpreted the commission's decision differently. American policymakers were more pessimistic than ever about the agreement's chances of ratification. At the very least, they said, it would have to be renegotiated with a view to Iran's original demands and to those that Saudi Arabia recently had put before ARAMCO. The new ARAMCO contract provided for fifty-fifty profit sharing between the government of Saudi Arabia and the oil company. It was the first such agreement in the Middle East, and according to officials in the State Department it foreshadowed similar arrangements in all oil-producing countries of the region. The British disagreed. Blaming Razmara for failing to maneuver the supplemental agreement through the oil commission, they still entertained hopes that it could be salvaged. They were not convinced that the AIOC would have to follow ARAMCO's example; on the contrary, they "could not understand why ARAMCO felt itself compelled" to accept the Saudis' demands without a fight. If the British failed to see the need for an ARAMCO-type settlement in Iran, they did appreciate the potential impact of such a settlement and at one point considered asking the State Department to delay the ARAMCO agreement. In mid-December, Holmes reported that the British were "simply
marking time" while awaiting the Majlis's decision on the oil agreement. The AIOC, confident that the agreement could somehow be pushed through, refused to consider additional concessions. Instead, Richards reported, it saw political action as the "way out of [its] difficulties." Specifically, Richards suspected that the company might try to replace Razmara with a new prime minister "who could push through an oil agreement." The company's most likely candidate, Richards reported, was Ahmad Qavam, who as prime minister in 1947 had prevented the Soviets from securing an oil concession in northern Iran.86

Nor were the British swayed when Ayatollah Abolghassem Kashani, an outspoken nationalist and close ally of Mossadegh, denounced the oil agreement. Kashani's opposition to foreign influence in Iran dated back to Reza Shah's reign, when he had opposed the 1933 oil agreement as an unfair infringement on Iran's national sovereignty. His subsequent criticism of what he saw as Mohammed Reza Shah's pro-British tendencies implicated him in the February 1949 attempt on the monarch's life and resulted in his banishment to Lebanon--a fact that neither prevented him from being elected in absentia to the Sixteenth Majlis nor silenced his criticism of Britain's apparent domination of Iran's affairs. In an ultimately fruitless effort to retain his political position by placating influential figures, Mansur had allowed Kashani to return to Tehran in early June 1950, where he received a hero's welcome and was greeted by Mossadegh himself.87 Almost immediately upon his return, Kashani had condemned Britain's "plundering" of Iran's oil wealth and had urged "all deputies who hold the interests of the country more important than foreign influence" to support nationalization of the oil industry, thereby ending "the enslavement of the nation." The British refused to take Kashani seriously. At best they saw his statement as just another example of "the emotional approach of most Iranians to the oil issue." At worst they suspected a clumsy effort "to blackmail the [AIOC] into further concessions." Although "other foreign observers are not so
certain," Richards told the State Department, "few officers of the British Embassy or of the Oil Company in Tehran show concern that the Iranian Government might cancel their concession."88

Razmara's thinking came close to the British point of view. He was not initially fazed by the oil commission's resolution, because he had known for some time that most of its members were opposed to the oil agreement.89 He still planned to submit the agreement to the Majlis and was sure that cooler heads would prevail there. Razmara's confidence did not dim when the Majlis debate opened in the face of growing public support for nationalization. He expected the Majlis to do little more than return the agreement to him with instructions to seek new concessions through further negotiations. In fact, so sure was he that the Majlis would follow this course that he began circulating among the deputies a petition that would empower him to commence negotiations with the AIOC without waiting for a final vote in the Majlis. He also continued to press E. D. G. Northcroft, the company's chief officer in Iran, for additional concessions.90

All of Razmara's efforts were thwarted. His petition, which required seventy signatures, secured only forty-five when private pledges of support fell victim to the public clamor for nationalization. Only then did Razmara realize the depth of opposition to the oil agreement and the likelihood that it would be rejected. What is more, when his discussions with Northcroft revealed that Iran and the AIOC remained "poles apart" he saw that the company was unlikely to make any concessions even if he could initiate further negotiations.91 Finally, as American officials had predicted, the ARAMCO agreement fueled the flames of public opposition to the supplemental agreement and virtually guaranteed its rejection by the Majlis. In the face of such overwhelming obstacles, Razmara thought his only course was to withdraw the agreement from the Majlis. On 27 December, Finance Minister Furuhar stated the government's case, thereby earning the distinction of
being the first, and only, Iranian cabinet minister to come out publicly for the supplemental agreement. Furuhar reiterated the government's support for the agreement, lamented that it had to be withdrawn without a favorable vote, and went on to criticize nationalization as unworkable and impractical. It is likely that the government withdrew the agreement to prevent the Majlis from sending it back to the oil commission or, worse, voting for nationalization. What was not at all clear was the wisdom of this move.

American and British officials in Tehran wondered about Razmara's next step, particularly when so much of the population appeared to support nationalization. After his efforts to create a new commission to consider the oil question failed, the prime minister suggested dissolving the incumbent Majlis and electing a more malleable assembly. The shah opposed this course for several reasons. He was reluctant to acquiesce in any action that circumvented the Iranian constitution, or so he asserted in public. But his real reasons were probably much more self-serving. The shah no doubt feared that dissolving the Majlis would strengthen Razmara's power by freeing him from having to answer to the assembly. It would also anger Iranian nationalists, who would see such a move as an act of treachery designed to benefit the AIOC. Razmara was thus forced to ask the AIOC for additional advances to the Iranian government until a satisfactory permanent oil arrangement could be worked out. Specifically, he requested that the company remit "two-thirds of the difference between the old and the new rates of royalty, the other one-third being retained until ratification." When Ambassador Shepherd apprised him of the company's likely refusal to make such advances, Razmara suggested that some alternative arrangements might be worked out, perhaps a loan from the British government to keep Iran's economy going until a new oil arrangement could be negotiated. Under no circumstances, the prime minister assured Richards, would his government attempt to nationalize the oil industry, no matter how intense the
Like Razmara, the British discounted the possibility that nationalization might become a reality. For policymakers in London, it was an impractical, emotionally inspired idea designed only to blackmail the AIOC into making additional concessions to Iranian demands. This conviction had led both Whitehall and the AIOC to ignore American warnings about Iranian discontent and to pursue instead an inflexible, financially driven approach to the oil dispute with Iran. This was a policy that American officials found hard to swallow. By ignoring the nationalist sentiment that had fostered Iran's opposition to the supplemental agreement, or so the Americans believed, Whitehall had committed a serious blunder that could lead to disaster, not only for Britain and Iran but also for the West as a whole. Nationalization would probably become a reality in Iran, and the Americans thought the British would have only themselves to blame. And although the United States would spend the coming months acting as an "honest broker" in the Anglo-Iranian imbroglio, its efforts to arrange a compromise settlement failed miserably.
NOTES


2 For a discussion of the rising power of the National Front coalition see Cottam, Iran and the United States, 73, 88, 91; idem, Nationalism in Iran, 264-68; Diba, Mossadegh, 96-112; Abrahamian, Iran between Two Revolutions, 263-67; Azimi, Crisis of Democracy, 220-21; Katouzian, Musaddiq and the Struggle for Power in Iran, 71-77; and Bill, Eagle and the Lion, 67-72.


4 See the sources cited in the previous footnote.

5 See Azimi, Crisis of Democracy, 203-4.

6 On the Senate see Marvin Zonis, The Political Elite of Iran (Princeton, 1971); and Azimi, Crisis of Democracy.

7 On the Tudeh see Sepehr Zabih, The Communist Movement in Iran (Berkeley, 1966), esp. 166-207.

8 Wiley tel. 44 to State Department, 9 January 1950, General Records of the Department of State, Record Group 59, 788.00/1-950, National Archives, Washington, DC (hereafter RG 59, with filing information); Alan Leavett (FO Eastern Department) minute, 11 January 1950, General Correspondence of the British Foreign Office, Record Class FO 371, 82374/EP1531/1, Public Record Office, Kew, England (hereafter FO 371, with filing information); Wiley dispatch to State Department, 30 January 1950, U.S. Department of State, Foreign Relations of the United States, 1950 (Washington, 1978), 5:460 (hereafter FRUS, with year and volume number). See also Le Rougetel tels. 16 and 18 to Foreign Office (FO), 9 January 1950, FO 371, 82374/EP1531/1, /2; Wiley tel 115 to State Department, 21 January 1950, RG 59, 888.2553/1-2150; Arthur M. Holmes (chargé d’affaires, American embassy, London) tel. 460 to State Department, 27 January 1950, RG 59, 641.8894/1-2750; and Holmes tel. 641 to State Department, 3 February 1950, RG 59, 888.2553/2-350. Foreign Office sentiment was not entirely united about the benefits of a “take it or leave it” attitude, however. Valentine G. Lawford (counselor, British embassy, Tehran) and Lancelot F. L. Pyman (Oriental counselor, British embassy, Tehran) disagreed with such a strategy. See Wiley tel. 115 to State Department, 21 January 1950, RG 59, 888.2553/1-2150; and Wiley dispatch, 30 January 1950, FRUS, 1950 5:460.

9 Dean G. Acheson, Present at the Creation: My Years in the State Department (New York, 1969), 503.

10 Wiley tel. 44 to State Department, 9 January 1950, RG 59, 788.00/1-950; C.
Vaughan Ferguson (officer in charge of Iranian affairs, Office of Greek, Turkish, and Iranian Affairs) memorandum of conversation re Anglo-Iranian Oil Company concession, 7 February 1950, RG 59, 888.2553AIIOC/2-750. See also Holmes tel. 550 to State Department, 31 January 1950, Records of the Foreign Service Posts of the Department of State, Record Group 84, Tehran Embassy Confidential File, 523.1AIIOC, Washington National Records Center, Suitland, Maryland (hereafter RG 84, with filing information); F. R. Hoyer-Millar tel. 388 to FO, 2 February 1950, FO 371, 82374/EP1531/4; Holmes tel. 641 to State Department, 3 February 1950, RG 59, 888.2553/2-350; Hoyer-Millar tel. 509 to FO, 11 February 1950, FO 371, 82374/EP1531/7; Acheson tel. 157 to American embassy, Tehran, 14 February 1950, RG 59, 888.2553AIIOC/2-2650; Holmes tel. 929 to State Department, 17 February 1950, RG 59, 888.2553AIIOC/2-1750; and Acheson tel. 1037 to American embassy, London, 23 February 1950, RG 59, 841.2553/2-2350.


**12** Wiley tel. 44 to State Department, RG 59, 788.00/1-950.


**14** Le Rougetel tel. 70 to FO, 7 February 1950, FO 371, 82374/EP1531/5.

**15** Le Rougetel letter to Wright, with enclosed copy of Le Rougetel to Fraser, 6 February 1950, FO 371, 82374/EP1531/11.


**18** Bevin tel. 174 to British embassy, Tehran, 1 May 1950, FO 371, 82374/EP1531/14; Le Rougetel tel. 70 to FO, 7 February 1950, FO 371, 82374/EP1531/5. See also Douglas tel. 2335 to State Department, 28 April 1950, RG 59, 888.2553/4-2850; Richards tel. 798 to State Department, 3 May 1950, RG 59, 888.2553/5-350; and Bevin tel. 181 to British embassy, Tehran, 5 May 1950, FO 371, 82311/EP1016/33.
For Saed's premiership see Shepherd dispatch 39 to FO, 1 February 1950, FO 371, 82310/EP1016/10; Wiley tel. 311 to State Department, 23 February 1950, RG 59, 888.2553/2-2450; Wiley tel. to State Department, 27 February 1950, FRUS, 1950 5:479-80; and Azimi, Crisis of Democracy, 201-17.


Douglas tel. 2336 to State Department, 28 April 1950, RG 59, 888.2553/4-2850.


Shepherd to Furlonge, 5 June 1950, FO 371, 82311/EP1016/46. See also Diba, Mossadegh, 102.


For the decision to reevaluate the U.S. aid program to Iran see Acheson tel. 312 to American embassy, Tehran, 20 March 1950, RG 59, 888.00/3-2050; and Acheson tel. 369 to American embassy, Tehran, 30 March 1950, RG 59, 888.00/3-3050.

See Ferguson memorandum of conversation with Ambassador Ala and

28 Undated State Department paper, "The Present Crisis in Iran," *FRUS, 1950* 5:513, 516. See also Lawford dispatch 62 to FO, 21 February 1950, FO 371, 82310/EP1016/18; Shepherd dispatch 108 to FO, 8 April 1950, FO 371, 82310/EP1016/28; Ferguson memorandum of conversation with Iranian Ambassador Nemazee re the desire of the Iranian ambassador for greater U.S. economic and military aid, 12 April 1950, RG 59, 888.00/4-1250; and Richards tel. 680 to State Department, 14 April 1940, RG 59, 888.00/4-1450.

29 Wiley to Acheson, 15 February 1950, and Rountree to Jernegan, 23 March 1950, *FRUS, 1950* 5:470, 492. See also Wiley tel. to State Department, 27 February 1950, ibid., 481-82; Wiley airgram 87 to State Department, 5 March 1950, RG 59, 888.00/3-650; N. Spencer Barnes (second secretary, American embassy, Tehran) airgram 88 to State Department, 6 March 1950, RG 59, 888.00/3-650; Wiley tel. 416 to State Department, 11 March 1950, RG 59, 398.14/3-1150; Barbour (Moscow) tel. 833 to State Department, 13 March 1950, RG 59, 888.00/3-1350; and the sources cited in the immediately preceding note.


32 Wiley tel. 947 to State Department, 23 May 1950, RG 59, 888.2553AIOC/5-2350. For the importance of using assistance as a means of exacting Iranian reforms see Richards tel. 673 to State Department, 13 April 1950, RG 59, 888.00/4-1350; McGhee memorandum of conversation with Ambassador Ala, 1 May 1950, *FRUS, 1950* 5:536-40; and Webb tels. to American embassies, London and Tehran, 22 May 1950, ibid., 549-51.

33 For this exchange see Douglas tel. to State Department, 12 August 1950, *FRUS, 1950* 5:580-81; and Acheson tel. 978 to American embassy, London, 12 August 1950, RG 59, 888.2553AIOC/8-1250. See also the documents cited in notes 19 and 20 above for the U.S. position at the London conference.

34 Bevin tel. 181 to British embassy, Tehran, 5 May 1950, FO 371, 82311/EP1016/33. For various demands by individual Iranians and their generally amorphous nature see Ferguson memorandum of conversation with Iranian ambassador et al. re Anglo-Iranian Oil Company concession, 7 February 1950, RG 59, 888.2553AIOC/2-750; Hoyer-Millar tel. 509 to FO, 11 February 1950, FO 371, 82374/EP1531/7; Acheson tel. 157 to American embassy, Tehran, 14 February 1950, RG 59, 888.2553AIOC/1-2650; Richards tel. 680 to State Department, 14
April 1950, RG 59, 888.00/4-1450; brief for minister of state for meeting with Persian ambassador on 7 June 1950, 6 June 1950, FO 371, 82374/EP1531/25; Acheson tel. 751 to American embassy, Tehran, 22 June 1950, RG 59, 888.2553AIOC/6-2250; Richards tel. 1201 to State Department, 26 June 1950, RG 59, 888.2553AIOC/6-2650; and Douglas tel. 3683 to State Department, 28 June 1950, RG 59, 888.2553AIOC/6-2850.

Shepherd to Furlonge, 5 June 1950, FO 371, 82311/EP1016/46. See also Albert F. Lager (U.S. petroleum attaché for Middle East, Cairo) memorandum, "Late Developments in the Iranian Oil Situation," 21 June 1950, RG 84, Tehran Embassy, Confidential File, 523.1AIOC.


The shah's fears of Razmara are discussed in Ghods, Iran in the Twentieth Century, 180.

Bevin tel 243 to British embassy, Tehran, 14 June 1950, FO 371, 82311/EP1016/48; Douglas tel. 3680 to State Department, 28 June 1950, RG 59, 888.2553AIOC/6-2850. For Iranian opposition to Razmara see Richards dispatch 88 to State Department, 1 August 1950, RG 59, 788.13/8-150.

Wiley tel. to State Department, 26 May 1950, FRUS, 1950 5:558-59; Wiley tel. 997 to State Department, 31 May 1950, RG 59, 888.2553AIOC/5-3150.

See Furlonge to Shepherd, 30 June 1950, FO 371, 82312/EP1016/60; Shepherd to Furlonge, 10 July 1950, with attached Shepherd memorandum and FO minutes, FO 371, 82375/EP1531/32.

See Richards tel. to State Department, 21 June 1950, Acheson tel. to American embassy, Tehran, 23 June 1950, and McGhee memorandum for Acheson, "The Present Situation in Iran," 7 July 1950, FRUS, 1950 5:560-62, 562-63, 564-66; Cottam, Iran and the United States, 88; and Ghods, Iran in the Twentieth Century, 180-81. For an early assessment of Razmara's position on the oil agreement see N. S. Barnes (Tehran) memorandum for the ambassador (Grady), "Some Considerations Affecting Ratification of the AIOC Supplemental Agreement," 10 July 1950, RG 84, Tehran Embassy, Confidential File, 523.1AIOC. Throughout the summer, Grady continued to believe that Razmara was "reasonable" and that he recognized that an oil settlement was crucial for his development program. The problem, Grady presciently predicted, was the "irrational, nationalistic Majlis which [had] a stand-off attitude toward Razmara." See Grady tel. to State Department, 15 August 1950, FRUS, 1950 5:581-83.


Grady tel. 13 to State Department, 3 July 1950, RG 59, 888.2553AIOC/7-350; Grady tel. to State Department, 13 July 1950, FRUS, 1950 5:566-69. See also Richards dispatch 108 to State Department, 11 August 1950, RG 59, 788.00/8-1150.

Shepherd to Furlonge, with attached memorandum, 10 July 1950, FO 371,

45See editorial note, FRUS, 1950 5:551-52.


47See the sources cited in the immediately preceding footnote.

48Grady tel. to State Department, 13 July 1950, FRUS, 1950 5:568.


50Grady tel. 176 to State Department, 20 July 1950, RG 59, 888.2553AIOC/7-2050. See also Douglas tel. 399 to State Department, 18 July 1950, RG 59, 888.2553/7-1850; and Grady tel. 178 to State Department, 20 July 1950, RG 84, Tehran Embassy, Confidential File, 523.1AIOC.

51Grady tel. 204 to State Department, 24 July 1950, RG 59, 888.2553AIOC/7-2450; Douglas tel. 479 to State Department, 21 July 1950, RG 59, 888.2553/7-2150; Douglas tel. 435 to Acheson, 20 July 1950, RG 59, 888.2553/7-2050.

52Grady tel. 204 to State Department, 24 July 1950, RG 59, 888.2553AIOC/7-2450. See also Grady tel. 205 to State Department, 24 July 1950, RG 59, 888.2553/7-2450; Douglas tel. 792 to State Department, 8 August 1950, RG 59, 888.2553AIOC/8-850; and Grady tel. 560 to State Department, 5 September 1950, RG 59, 888.2553AIOC/9-550.


54See Douglas tel. 839 to State Department, 10 August 1950, RG 59, 888.2553AIOC/8-1050; Acheson tel. 978 to American embassy, London, 12 August 1950, RG 59, 888.2553AIOC/8-1250; Douglas tel. to State Department, 12 August 1950, and Grady tel. to State Department, 15 August 1950, FRUS, 1950 5:580-81, 581-83; and Douglas tel. 1169 to State Department, 24 August 1950, RG 59, 888.2553AIOC/8-2450. For statements of the strategic importance of Iran see McGhee memorandum for Webb re suggested discussion of Iranian problem with Senator Connally, 25 April 1950, RG 59, 611.88/4-2550; and background paper prepared in the Department of State for 11 September meeting with oil company executives, "Middle East Oil," [? ] September 1950, FRUS, 1950 5:76-96.

See Grady tel. 215 to State Department, 25 July 1950, RG 59, 888.2553/7-2550; and H. M. A. Hankey (FO) minute, 28 July 1950, FO 371, 87375/EP1531/42.

Grady tel. 243 to State Department, 28 July 1950, RG 59, 888.2553/AIOC/7-2850; Richards dispatch 92, 3 August 1950, RG 59, 788.00/8-350. See also Grady tel. 347 to State Department, 9 August 1950, RG 84, Tehran Embassy, Confidential File, 523.1AIOC; and Richards dispatch 108, 11 August 1950, RG 59, 788.00/8-1150.

See Grady tel. 243 to State Department, 28 July 1950, RG 59, 888.2553/AIOC/7-2850; and Acheson tel. 251 to American embassy, Tehran, 7 August 1950, RG 59, 888.2553/AIOC/8-750.

Acheson tel. to American embassy, London, 7 August 1950, FRUS, 1950 5:576-77. See also Douglas tel. 792 to State Department, 8 August 1950, RG 59, 888.2553/AIOC/8-850.


See Bevin record of conversation with Ambassador Douglas, 12 August 1950, FO 371, 82375/EP1531/37; and Douglas tels. (2) to State Department, 10 and 12 August 1950, FRUS, 1950 5:578-81.

Acheson tel. 978 to American embassy, London, 12 August 1950, RG 59, 888/2553/AIOC/8-1250. See also Douglas tel. 792 to State Department, 8 August 1950, RG 59, 888.2553/AIOC/8-850.

See Barnett (FO) minutes of meeting held on 2 August 1950 with Fraser, Gass et al., 3 August 1950, FO 371, 82375/EP1531/40; and Douglas tel. 839 to State Department, 10 August 1950, RG 59, 888.2553/AIOC/8-1050.

Richards dispatch 92 to State Department, 3 August 1950, RG 59, 788.00/8-350; Barnett (FO) minutes of meeting held on 2 August 1950 with Fraser, Gass et al., 3 August 1950, FO 371, 82375/EP1531/40. See also Wright's remarks in Douglas tel. 792 to State Department, 8 August 1950, RG 59, 888.2553/AIOC/8-850; and Shepherd tel. 330 to FO, 9 August 1950, FO 371, 82375/EP1531/36.

For more on these talks see editorial note, FRUS, 1950 5:192-93.


Unsigned record of informal U.S.-U.K. discussions, Thursday morning, 21 September 1950, FRUS. 1950 5:597. See also unsigned record of informal U.S.-U.K. discussions, Saturday morning, 23 September 1950, ibid., 600-602; David K. E. Bruce (American ambassador, Paris) tel. 1606 to State Department (from McGhee), 27 September 1950, RG 59, 888.2553/9-2750; McGhee, Envoy to the Middle World, 322-24; and the first two sources cited in note 66 above.

Richards dispatch 212 to State Department, 25 September 1950, RG 59, 788.00/9-2550; Bruce tel. 1606 to State Department, 27 September 1950, RG 59, 888.2553/9-2750; Rountree memorandum to McGhee re U.S.-U.K. divergences on Iran, 20 December 1950, FRUS, 1950 5:634.


See Richards dispatch 183 to State Department, 9 September 1950, RG 59, 788.00/9-950; Holmes tel. 1554 to State Department, 12 September 1950, RG 59, 888.2553AIOC/9-1250; Grady tel. 658 to State Department, 14 September 1950, RG 59, 888.2553AIOC/9-1450; and Shepherd dispatch 294 to FO, 6 October 1950, FO 371, 82309/EP1013/48. For the company's reaction to these demands and general statements about its willingness to make concessions outside the supplemental agreement see Holmes tel. 1499 to State Department, 9 September 1950, RG 59, 888.2553AIOC/9-950; Shepherd tel. 488 to FO, 6 October 1950, FO 371, 82375/EP1531/56; Barnett minutes re Tehran tel. 488, 7 October 1950, FO 371, 82375/EP1531/59; Douglas tel. 2238 to State Department, 18 October 1950, RG 59, 888.2553AIOC/10-1850; Wright record of conversation with Fraser and N. A. Gass (managing director, AIOC), 23 October 1950, FO 371, 82376/EP1531/71; Gass to Furlonge, 26 October 1950, FO 371, 82376/EP1531/72; and Douglas tel. 2489 to State Department, 31 October 1950, RG 59, 888.2553/10-3150. For additional Iranian demands see also Bevin tel. 580 to British embassy, Tehran, 29 December 1950, FO 371, 82377/EP1531/106.

See Richards dispatch 183 to State Department, 9 September 1950, RG 59, 788.00/9-950; Shepherd tel. 488 to FO, 6 October 1950, FO 371, 82375/EP1531/56; Grady tel. 828 to State Department, 9 October 1950, RG 59, 888.2553AIOC/10-950; Shepherd tel. 510 to FO, 15 October 1950, FO 371, 82376/EP1531/63; and Grady tel. 1015 to State Department, 2 November 1950, RG 59, 888.2553AIOC/11-250.


78For British fears that the oil commission might reject the supplemental agreement see Ramsbotham minute with attachments, 19 December 1950, FO 371, 82377/EP1531/105.

79Richards dispatch 183 to State Department, 9 September 1950, RG 59, 788.00/9-950. For the shah's parallel belief that Iran could not run its own oil industry see Shepherd letter to Bevin, 14 October 1950, FO 371, 82376/EP1531/67.

80On the National Front's political power see Goode, Diplomacy of Neglect, 59-60.

81For the oil commission see Richards tel. 1179 to State Department, 23 June 1950, RG 59, 888.2553AIOC/6-2350; Rouhollah K. Ramazani, Iran's Foreign Policy, 1941-1973: A Study of the Foreign Policy of Developing Nations (Charlottesville, 1975), 189-94; Ferrier, "Anglo-Iranian Oil Dispute," 75-78; Zabin, Mossadegh Era, 24-25; Diba, Mossadegh, 101-10; Elwell-Sutton, Persian Oil, 182-84; and Katouzian, Musaddiq and the Struggle for Power in Iran, 90-92. See also Richards tel. 1201 to State Department, 26 June 1950, RG 59, 888.2553AIOC/6-2650.

82See "Press Extracts No. 877," Report of the Oil Committee on Oil Bill, 23 December 1950, FO 371, 91521/EP1531/4; and Ramazani, Iran's Foreign Policy, 189-94.

83See Ramazani, Iran's Foreign Policy, 189-94.

84See Shepherd tel. 525 to FO, 19 October 1950, FO 371, 82376/EP1531/65; Shepherd tel. 526 to FO, 20 October 1950, FO 371, 82376/EP1531/66; Grady tel. 934 to State Department, 20 October 1950, RG 59, 888.2553AIOC/10-2050; Grady tel. 1015 to State Department, 2 November 1950, RG 59, 888.2553AIOC/11-250; Shepherd dispatch 323 to FO, 3 November 1950, FO 371, 82309/EP1013/52; and Ramazani, Iran's Foreign Policy, 190.

85Mossadegh quoted in Ramazani, Iran's Foreign Policy, 194; Richards tel. 1199 to State Department, 27 November 1950, RG 59, 888.2553/11-2750. See also Shepherd to Furlonge, 27 November 1950, FO 371, 82377/EP1531/89; Shepherd dispatch 353 to FO, 10 December 1950, FO 371, 82309/EP1016/57; Richards tel. to State Department, 14 December 1950, FRUS, 1950 5:630-32; and the sources cited in the immediately preceding footnote.

86Holmes tel. 3186 to State Department, 30 November 1950, RG 59,

Richards dispatch 471 to State Department, 22 December 1950, RG 59, 888.2553/12-2250; Richards dispatch 465 to State Department, 21 December 1950, RG 59, 888.2553/12-2150. See also Richards tel. 1307 to State Department, 11 December 1950, RG 59, 788.00/12-1150; and Richards tel. 1344 to State Department, 14 December 1950, RG 59, 888.2553AIOC/12-1450.

Shepherd despatch 348 to FO, 4 December 1950, FO 371, 82313/EP1016/90.


Holmes tel. to State Department, 14 December 1950, FRUS, 1950 5:633. See also Shepherd dispatch 368 to FO, 29 December 1950, FO 371, 91521/EP1531/6.

Ramazani, Iran's Foreign Policy, 194.

Shepherd dispatch 368 to FO, 29 December 1950, FO 371, 91521/EP1531/6. See also Shepherd tel. 654 to FO, 21 December 1950, FO 371, 82377/EP1531/98; Shepherd to Bevin, 22 December 1950, FO 371, 82377/EP1531/108; Richards dispatch 475 to State Department, 25 December 1950, RG 59, 788.00/12-2550; Grady tel. 1424 to State Department, 27 December 1950, RG 59, 888.2553/12-2750; Grady tel. 1432 to State Department, 29 December 1950, RG 59, 888.2553AIOC/12-2950; Shepherd tel. 675 to FO, 31 December 1950, FO 371, 91521/EP1531/1; and Azimi, Crisis of Democracy, 236-37.
The Iranian oil crisis came to a head during the first half of 1951. After a four-month effort to win government support for nationalization, the National Front attained its goal when Mohammed Mossadegh became prime minister in late April. Thereafter, party leaders hoped to use oil profits to finance the Seven Year Plan for economic development and to improve the standard of living for all Iranians. Their plans, however, met with strong opposition from the British government, which was determined to protect the AIOC, even if this necessitated a military confrontation in Iran. Iranian oil's contribution to Britain's balance of payments, which in early 1951 had taken a turn for the worse, made the oil an asset worth defending, as did its strategic importance for Britain and the Western alliance in general. In addition, the British worried that a successful Iranian nationalization would spur similar actions in other parts of the world, notably in Egypt where the British feared for the safety of the Suez Canal. Given these considerations, the British would not acquiesce in Iran's unilateral cancellation of the AIOC's contract, especially because the Iranians had abrogated the right to do so in the 1933 concession agreement. They stubbornly defended this position and pressured Washington for support.

The United States appreciated Britain's distress at the possible loss of Iranian oil; but American leaders, who were themselves preoccupied with the escalating war in Korea and the ongoing reconstruction of Western Europe, continued to refuse open support for the British position. Policymakers in the State Department were
primarily concerned about the Cold War implications of the crisis. They feared that strong British opposition to nationalization would result in political chaos in Iran and ultimately push that country, and its plentiful oil supplies, into the Soviet camp. Yet American policymakers also feared the consequences of nationalization on other international investments, and therefore tried to moderate Iranian policy as well. The best course, they counseled both the British and the Iranians, was a negotiated settlement that paid lip service to the idea of nationalization but also recognized the contractual rights of the AIOC. Such a settlement, they maintained, would safeguard the interests of both Britain and Iran while preserving world peace and the global balance of power.

Neither Britain nor Iran was swayed by these arguments. Foreign Office declarations about the rule of law and the sanctity of contracts collided with Iranian assertions that nationalization was not only a right but also a duty. With both the British and the Iranians deeply wedded to their respective positions, American policymakers found their role as "honest broker" in Iran most difficult. And as time went on they also found themselves abandoning that role for one more commensurate with the increasing importance they placed on Iran and its oil.

Continuing talks between the AIOC and the British government in early January 1951 gave only the slightest hint that the company's position on certain issues was softening. The company's managing director, for example, reported that the AIOC had "never closed the door" to the principle of fifty-fifty profit sharing. Yet he doubted that Iran would accept such an arrangement, particularly if it meant surrendering Iran's claim to profits from the AIOC's non-Iranian operations. Besides, he said, the AIOC's original concession had been based on profit sharing between the company and the government and had been changed at Iran's request.
Given these doubts, company officials remained steadfast in their support of the supplemental agreement, saying that it was "not possible . . . to produce an oil agreement in simpler terms" and that Razmara had not done enough to support the agreement.¹

British policymakers applauded the AIOC's apparent readiness to consider an equal division of profits with the Iranian government, but they did not share the company's admiration for the supplemental agreement. B. A. B. Burrows of the Washington embassy thought the agreement "unintelligible to the ordinary person" and called for "some really new approach" to the Iranian problem. Ambassador Shepherd in Tehran agreed. "The time for waiting" and for temporary "palliatives" had passed, he asserted. Needed was a "fairly long term and imaginative solution," achieved, if necessary, by "pressure brought on the company . . . at the highest level." Similar expressions came from Geoffrey W. Furlonge and Eric A. Berthoud in the Foreign Office and from at least one member of the AIOC's staff, Sir Frederick Leggett, the company's labor adviser. All three considered the supplemental agreement to be a dead letter. Only an "imaginative" new approach, as Berthoud argued, would satisfy Iranian aspirations.²

Specifically, Furlonge, Berthoud, and their colleagues wanted the AIOC to create a new company that would deal only with Iranian operations. The Iranians would receive 50 percent of the company's profits, as well as the right to appoint one member of its board of directors. Although the advocates of this arrangement recognized the difficulties associated with organizing a new company, they nonetheless saw it as the best way to "obtain a satisfactory agreement with the Persians in the face of ever more vociferous nationalism." As Ambassador Shepherd put it: "The risk of not [going along] may in the long run be greater." And to ensure that the company went along, he and other officials were prepared to "exert such [governmental] pressure, as may seem called for."³
Indeed, the Foreign Office had decided by mid-January that "there might be advantage[s]" to pushing the AIOC toward greater flexibility. After all, the company's former methods had been discredited; the oil crisis could no longer be "treated on a basis of finance or normal commercial practice." In addition, the Foreign Office considered Iran's precarious economic situation "politically frightening." Some kind of financial assistance to Iran was clearly necessary to stabilize its economy and forestall a victory by extremists in the Tudeh party or the National Front. With the British Treasury preoccupied with the balance of payments crisis, the AIOC would have to shoulder the burden of such assistance, even if it had to be coerced into action. A passive government policy risked other dangers as well, including the loss of "American sympathy" in Iran and the prospects of Anglo-American cooperation in the Middle East as a whole.4

All of these dangers were real enough, especially the possibility of Anglo-American discord. In the eyes of American officials, the British government was pursuing a mistaken policy that left too much power in the hands of the AIOC. Ambassador Grady in Tehran, for example, asserted that despite "their frequent expressions of a common purpose with us," "the deeds of the British Government and [the] AIOC are producing exactly the opposite effect." Secretary Acheson concurred. He did not understand how the British could show so "little concern . . . over developments in Iran," nor how they could continue to follow such a "dangerous course." Because the Iranian situation had important worldwide ramifications, Acheson was prepared, if need be, to step up American pressure on the British government.5

In the meantime, Prime Minister Razmara urged the Majlis to appoint a new commission to study the oil problem. This commission, to be composed of three deputies, three senators, and three distinguished private citizens, would consult with the prime minister, draw up amendments to the supplemental agreement, and
submit a new proposal to the AIOC. The new terms, or so Razmara hoped, "would be so eminently fair" as to "be acceptable to the AIOC, especially when [they] became known to the public." Through the proposed commission, in other words, the prime minister apparently intended to mobilize public opinion in Iran and abroad on behalf of an oil settlement that would isolate the AIOC and his critics in the National Front.6

Once again, however, Razmara was swimming against a swelling current of Iranian enmity toward the AIOC. The National Front had stirred up considerable public opposition to the supplemental agreement and had kept the oil issue at center stage in the Majlis, where Mossadegh and his allies continued to press for nationalization. On 11 January their anti-AIOC campaign pushed the Majlis to reject Razmara's proposed commission. Instead, that body gave the original commission, headed by Mossadegh, exclusive jurisdiction over the oil question and two months to formulate a new oil policy.7 The Majlis decision did not bode well for the AIOC's position in Iran. At best the oil commission would push for a fifty-fifty sharing of profits, an arrangement the company was willing to discuss; at worst, it would demand immediate nationalization, an option that the company still considered to be more threat than substance. "Nobody, including the National Front, had thought out what it meant," the company's chief Tehran officer told representatives of the Foreign Office, Treasury, and Ministry of Fuel and Power at a mid-January meeting in London. The idea was nothing more than "a stick" that the National Front was using "to beat the [Iranian] Government and frighten the British and the Company."8

Others, including Ambassadors Grady and Shepherd, were less sanguine. Because the oil commission had not "distinguished itself through constructive unemotional consideration of [the] oil question," Grady worried that it was unlikely to take an objective view of the situation. Shepherd also found it "difficult to have
any confidence in a commission which produced so lamentable a document” as the November 1950 report rejecting the supplemental agreement. Nor did the ambassadors believe that Razmara’s government, which was running a monthly budget deficit of £1.5 million, could remain afloat in the months required to implement the new plan, or that Razmara was strong enough to resist the increasing public clamor for nationalization.9

Even Razmara, who was usually optimistic, viewed the new developments with trepidation. He admitted that nationalization had won the support of “an important group in the Majlis.” That group had maneuvered to wrest control of the oil issue from the government and to place it before a commission that was controlled by Mossadegh and his allies. This commission would be “more difficult to deal with” than the one Razmara had proposed, although the prime minister still thought that “something concrete” could be accomplished if the AIOC acted in good faith.10 With this goal in mind, Razmara renewed his earlier efforts to win additional financial support from the AIOC for the ailing Iranian economy. Lack of funds had already forced the government to delay the payment of municipal salaries and to curtail implementation of the Seven Year Plan. It had also been a contributing factor in the dismissal of Overseas Consultants Incorporated, the American firm that had drafted the plan.11 To help alleviate these difficulties, Razmara asked the AIOC to deposit £10 million of fully convertible sterling in the Bank Melli, the national bank of Iran. This deposit would be treated not as an advance against oil royalties but as a loan subject to interest and other financial requirements and used by the Bank Melli to support a new issue of Iranian currency. These provisions raised concern among officials in the Bank Melli, however. They feared the inflationary results of a new currency issue, worried that Iran could not afford to increase its foreign debt, and ultimately blocked Razmara’s proposal.12

The AIOC had been willing to negotiate the loan, no doubt hoping to bolster
Razmara's government against more radical alternatives and to buy more time for the prime minister and the company to outmaneuver their opponents in the National Front. The company was also willing to consider additional financial advances, in lieu of a loan, to the Iranian government. The AIOC would "not pay out money under the Supplemental Oil Agreement in the absence of ratification," said Sir William Fraser, but it would make advances against its accumulated reserves, "even if this meant advancing more than was due on oil already extracted." Although these advances would not be "tied to any [particular] concession or agreement," the company clearly believed that redressing "Iran's precarious financial situation" would contribute to "a more favorable climate for negotiation of an oil settlement." In early February 1951, Razmara and the AIOC reached an agreement whereby the company would make an immediate grant of £5 million to the Iranian government and additional monthly grants of £2 million for the remainder of the year. Because Razmara feared that a public announcement of the agreement would lead critics to portray his government as a tool of British policy, no announcement was forthcoming. For the same reason, the exchange of letters formalizing the agreement made it appear as if the company had initiated the transaction, which began with a secret payment of £5 million on 8 February. This was the first installment of a year-long program that the British hoped would avoid economic and political collapse in Iran and provide Razmara with time to plan his next move.

The next initiative, though, came not from Razmara but from the oil commission, which in early February asked the government to assess the feasibility of nationalization and determine industry reaction worldwide. The request seemed to indicate the commission's preferred course of action and confirmed the shah's fears that Mossadegh and his colleagues would vote for nationalization without considering other alternatives. Razmara shared these fears, especially the shah's
belief that Iran lacked the technical know-how to manage the complex oil industry. The prime minister’s initial strategy was therefore to delay the government’s response to the commission’s request and to initiate studies on various aspects of nationalization by the Ministries of National Economy, Foreign Affairs, Finance, and Justice. These studies, he believed, would prove that nationalization was unworkable and would allow him to steer the oil commission in a more moderate direction. While these studies were under way, moreover, Razmara laid plans to consult with members of the oil commission not clearly identified with the National Front and to seek their support for a policy that stopped short of nationalization.16

As the British understood, Razmara needed all of the support he could muster. Nationalization had become a cause célèbre for the Iranian people, who increasingly backed the National Front’s assault against Razmara’s apparent reluctance to heed the popular will. Support for nationalization was especially high on the National Front-controlled oil commission. In Shepherd’s estimation, seven or eight of the commission’s eighteen members "would definitely vote for nationalisation . . . and their influence would be quite likely to secure them a majority." This was bad news for Razmara, as well as for the AIOC, and the British explored several strategies that would arm Razmara for his confrontation with the National Front. One strategy would warn the Iranians that the AIOC "was an important British interest," that "His Majesty’s Government could not be indifferent to its affairs," and that nationalization might therefore lead to a dangerous confrontation between the two countries. Some policymakers wanted to leave it for the Iranians to "imagine" what such a confrontation would entail.17 Others favored an explicit declaration of British intentions on the assumption that it would sway Iranian sentiment away from nationalization and toward the prime minister’s position. They initially ruled out a note to the Iranian government, which was unlikely to consent to its publication, in favor of an alternative proposal coming
from Ambassador Shepherd. This proposal called for a Parliamentary Question in response to which the British government would warn Iran that nationalization would invite "difficulties of a widespread nature in view of the world wide importance of Persian Oil and the important British interests involved."

Undersecretary of State for Foreign Affairs Ernest Davies answered such a question on 21 February, but the response was not at all what Shepherd would have liked. No mention was made of nationalization, which the Labour government supported at home, so the effect on the Iranians was likely to be negligible.18

On another front, the AIOC resumed talks with Razmara looking toward a profit-sharing arrangement similar to ARAMCO's agreement with Saudi Arabia. Northcroft reaffirmed the company's willingness to consider such an arrangement, but was quick to point out that it would take at least a year to implement and would require the Iranians to abrogate their claim to profits from the AIOC's worldwide operations. After Razmara dismissed these qualifications as unimportant, he and Northcroft agreed on 10 February to a proposal that Razmara would present as his own to the commission. Under this proposal, the AIOC would establish a new subsidiary to manage its Iranian operations. Profits generated by the new subsidiary would be divided equally between the AIOC and the Iranian government and all of Iran's other claims against the company would be satisfied through a lump-sum payment. Curiously, this proposal made no mention of Iranian representation on the new company's board of directors, a key Iranian demand throughout 1950. Nevertheless, initial company reaction was jubilant, as it appeared that a solution to the oil crisis was imminent.19

This optimism was shattered when Razmara presented the proposal informally to moderates on the oil commission in terms that left the door open to nationalization. To be sure, Razmara told the commissioners that "nationalisation at [the] present stage might prove a national disaster." But he refused to "rule out
nationalisation as [a] long term solution," suggesting instead that his government continue "to study its practicability and report back to the Majlis" at a later date. The prime minister's strategy was clear enough. Although endorsing the new proposal, he sought to present it in a fashion that would appease nationalist sentiment in Iran, disarm the supporters of nationalization on the oil commission, and win support from the moderates. Once the commissioners understood the depth of British opposition to nationalization, as well as the legal, technical, and financial difficulties of effecting such a course, Razmara expected them to pass instead a resolution that paid lip service to the idea of nationalization while authorizing the prime minister to negotiate on the basis of the AIOC's new proposal.

If this was Razmara's strategy, it was one the British found hard to accept. Ambassador Shepherd again reminded Razmara that the British government "could not be indifferent" to threats of nationalization. He also pointed out that the AIOC's contract was valid until 1993 and that Articles 21 and 26 of the 1933 concession specifically forbad nationalization. In addition, Shepherd seemed to blame Razmara for allowing the nationalization movement to gain so much ground: Had the prime minister taken a stronger stand on the supplemental agreement and worked more actively for ratification, he reasoned, it would not be necessary to appease public sentiment by hinting that nationalization offered a viable long-term solution. Nor was Shepherd the only one who thought Razmara had failed to "give a strong enough lead" in the right direction. Some members of the oil commission were confused by his waffling on the issue of nationalization. The National Front—which had now emerged as the only organized political force in Iran, albeit through intimidation and threats of violence—was calling for his resignation. The British government was pressing him to present the new proposal, or something similar, to the oil commission. And the AIOC had decided to release a long report that would
outline its position on nationalization, explain why Iran was unable to run its own oil industry, and thereby persuade the oil commission that nationalization was impracticable.22

Under this pressure, Razmara acted on 4 March to inform the commission in general terms of Britain's strong opposition to nationalization and of the AIOC's willingness to accept a settlement that entailed a more equitable sharing of profits with the Iranian government. He also made public the reports of his ministers, which showed nationalization to be impracticable, and repeated his own conviction that such a course would be disastrous for Iran. Through these initiatives, Razmara was hoping to secure outright rejection of nationalization by the oil commission, or, barring that verdict, another examination of the question that would delay final action until a better arrangement could be worked out with the AIOC.23

The prime minister's newfound resolve, according to Shepherd, indicated that he was "responding to treatment." Razmara's strong stand before the commission had thwarted plans for immediate nationalization, favored by the National Front. It also seemed to portend a political shift in Iran toward a more moderate policy and renewed hope among British and American officials.24 Once again, however, their hopes were dashed, this time when Razmara was assassinated on 7 March by a member of the radical Fedayan Islam, a religious terrorist group that favored nationalization. With Razmara's death the Americans and the British lost an important, if often ineffectual, ally in Iran. His assassination, and the widespread rejoicing it caused throughout Iran, signaled to the world how politically charged the oil question had become and set the stage for a deepening of the crisis in the months ahead.

iii

Razmara left no designated successor. Potential prime ministers abounded,
such as former Prime Minister Ahmad Qavam and perennial hopeful Seyyid Zia, but none seemed likely to win the support of the shah, or of the British and the Americans, for that matter. Officially, the Foreign Office and the State Department refrained from expressing their preferences for fear of exposing themselves to charges of interfering in Iran's domestic affairs. Behind the scenes, however, they sought to influence the shah's selection by reminding him that personal loyalty and confidence were the most important attributes of a new prime minister. These entreaties did seem to have some effect on the shah, who appointed former Ambassador to the United States Hossein Ala as Iran's new prime minister on 11 March. Ala was known to be unquestionably loyal to the shah and to have his complete confidence. But his relations with the National Front were strained at best, and it was the National Front that had taken control of the oil issue.

Even before Ala's assumption of the office of prime minister it was obvious that he would find it difficult to control the National Front-dominated oil commission. At a meeting on 9 March the commission had unanimously supported the principle of nationalization and had begun drafting a report on how to put nationalization into place. Neither Shepherd nor the Foreign Office was initially dismayed by this development. The commission's report was not due for two months, and the ambassador thought the delay left "the way open for negotiation." His colleagues in London agreed. The delay gave the AIOC time to publicize its recent advances to Iran and to reiterate its willingness to negotiate on a fifty-fifty basis, both of which might soften opinion in Iran. Nevertheless, officials in the Foreign Office and the AIOC also thought that immediate action by the British government would be necessary to guard against a change in the status of nationalization from "whether" to 'when.' Revising an idea discussed earlier, they proposed that a diplomatic note be sent to the Iranian government and published shortly thereafter. The note would reiterate Britain's opposition to nationalization.
and warn Iran that any step in this direction would lead to a dangerous confrontation between the two countries. The hope was that such a warning would deter the Iranians. It would forestall "the tendency of the oil question to slip down hill," explained Furlonge, who advised Shepherd to deliver such a note as soon as possible.26

The note that Shepherd delivered to Prime Minister Ala on 13 March summarized Britain's position on the oil question. It recounted the history of the supplemental agreement, listed the legal and practical obstacles to nationalization, revealed the AIOC's recent advances to Razmara, and emphasized the company's willingness to negotiate on a fifty-fifty basis. In polite but pointed language, the note also made it clear that the British government could not "be indifferent to the affairs of the Anglo-Iranian Oil Company, an important British, and indeed, international interest." Although it expressed the hope that future discussions would "take place on a fair and reasonable basis," the note clearly implied that such a basis left no room for nationalization.27

If Ala transmitted Shepherd's note to the Majlis, there is no indication that British warnings influenced that body when it reconvened on 15 March. On the contrary, the National Front dominated the session, turning it into what Grady called a "complete emotional display."28 Whereas the shah and the British had hoped the session would be postponed due to the lack of a quorum, the National Front coerced attendance by threatening to brand all absentee deputies as "traitors." It then succeeded in unanimously pushing through the oil commission's resolution endorsing the principle of nationalization and giving the commission two additional months to draft a plan for putting nationalization into place.29 The absence of debate on the resolution, and its unanimous acceptance by the Majlis, portended grave difficulties for the AIOC's position in Iran. Ambassador Grady termed the resolution a "most serious" development. The "principle of nationalization" was now
widely accepted in Iran, he said, and there was a "complete absence of [the] courage needed to oppose [it]." Grady blamed the British for allowing the situation to get out of hand. Had they made a "good offer" several weeks earlier, the United States might have "backed them." The present circumstances, however, called for "'sweating [it] out' with us in no way involved."30

Acheson's thinking ran along similar lines. As always, he was concerned with the economic and strategic implications of the Iranian crisis, implications that he thought the British failed fully to grasp. He wanted to keep Iran outside the Soviet orbit and Iranian oil "flowing to world markets." For these reasons, Acheson agreed with Grady that direct American intervention in Tehran was out of the question. After all, the United States recognized the "right of sovereign states to nationalize," provided they made "just compensation," and American intervention could alienate the Iranians, jeopardize the Western position in that country, and "result in [the] loss of Iran to [the] Soviets." Like Grady, moreover, Acheson blamed the British for the deepening crisis. Recent events had completely discredited their policies, especially those of the AIOC, with the latest British error being Shepherd's note to Ala of 13 March, which Acheson thought had precipitated the Majlis's resolution in favor of nationalization. It was clear to Acheson that a change in the "policies and/or management" of the AIOC was long overdue, and he hoped that the two-month delay would allow British leaders to formulate a "skillful, fresh" approach to their problem in Iran.31

The British reaction was less than the "skillful" approach that Acheson had demanded, but there were signs that American opinion was making a difference. Despite concerns in Washington that such a course would be provocative and might undermine the Iranian government, the Foreign Office decided to publicize Shepherd's recent note to Ala in hopes that "baring [the] lion's teeth" would forestall a rush toward nationalization. For similar reasons it also resumed its propaganda
campaign in Tehran, warning of the difficulties that nationalization would entail and the danger of a potential confrontation with Great Britain. At the same time, however, officials in the Foreign Office conceded that no government in Tehran could ignore the "principle of nationalization" and hope to survive. They were still unwilling to accept nationalization as a fait accompli, but did admit that further British concessions would be needed if the AIOC hoped to assuage nationalist sentiment and retain a semblance of its former control over Iranian oil. Although AIOC officials seemed reluctant to make additional concessions, the Foreign Office was thinking of a "friendly partnership" that would give Iran "something more than a fifty-fifty" share in the company's profits. Working "hand in glove" with the AIOC, British policymakers urged the company to prepare a new proposal along these lines and to present it to the government in Tehran as soon as possible. In the interval, moreover, they sought to mend fences with their colleagues in Washington, where Anglo-American talks on the Iranian problem would soon get under way and would highlight again the different strategies of the two allies.

Both the Americans and the British had called for these discussions in the wake of recent events in Iran. For the Americans, high-level consultation might prevent the British from continuing the tough stand that had characterized their recent note to Ala. Such a strategy, the State Department feared, might undermine Ala's government, push Iran into the Soviet camp, and thereby destroy Western strategy for the Middle East. To prevent such a calamity, the State Department argued, immediate Anglo-American discussions were essential. The British agreed to the talks, but for narrower reasons. As the situation in Iran deteriorated, the Americans had begun saying "we told you so" to the British. They had stepped up their complaints against the AIOC's "anachronistic policies" and "colonial attitude," had criticized the Foreign Office for failing to push the company toward a more flexible and realistic policy, and had cautioned the British against using
"financial or other pressures" to achieve their objectives in Iran. Given these and other criticisms, the British worried that American leaders would declare their support for Iran, which would jeopardize the interests of both countries in the Middle East, undermine Anglo-American relations in general, and "play into the hands of the Russians." It was thus important that the Iranians be disabused of any ideas about Anglo-American discord and that the Americans lend their full support to British efforts in Iran.35

The continuing differences between British and American thinking became clear when the Washington talks opened on 9 April. The American delegates, led by George McGhee, stressed the importance of maintaining political stability in Iran if that country, and its oil, were to be denied to the Soviet Union. Their arguments echoed those of U.S. intelligence estimates, which had also emphasized the importance of Iranian oil for the Western alliance, especially at a time when the Korean War continued to strain Western supplies to their limit. Demand for aviation gasoline and other fuels needed for military transport had increased so substantially since the outbreak of the war that American policymakers considered rationing civilian supplies. To forestall such a development, Iran had to remain firmly within the Western bloc. If Iran were lost to the Soviets, McGhee and his colleagues warned the British, its "oil would be lost" as well. The British must therefore be willing to accept nationalization in principle if they hoped to retain control of the Iranian oil industry in practice. In other words, the assistant secretary asserted, the British had to find some way of accepting the term "nationalization" while ensuring that they retained effective control of a nationalized Iranian industry. To this end, McGhee pressed the British to arrange some sort of partnership that did not involve "real equity ownership" but gave the Iranians financial profits as great as could be expected under any other arrangement. For example, he argued, the British might offer to operate the Iranian oil industry for Iran and to split its
profits equally between the AIOC and the Iranian government. McGhee was especially enamored of the fifty-fifty principle, which had worked so well to ameliorate nationalist sentiments in Venezuela. Such an arrangement, he believed, "had an aura of fairness understandable to the ordinary man" and therefore "offered the best hope for success" in Iran.36

The British conceded Iran's strategic and economic importance to the West yet were unwilling to make the AIOC a casualty of the Cold War. The company's position in Iran was important as a "bargaining weapon" and because of the "power it gave [the British government] to control the movement of raw materials." It also made an important and positive contribution to Britain's balance of payments and to "total Anglo-Dutch oil production," contributions that grew in importance during the balance of payments crisis that gripped Britain during 1951. The AIOC's Iranian operations provided Britain with £100 million annually in foreign exchange, as well as twenty-two million tons of oil products and seven million tons of crude oil each year, with the latter being especially important during the continuing war in Korea. Under these circumstances, the British could not allow Iran to gain control of the company, nor would they consider reducing the duration of the AIOC's concession, which was valid until 1993. Still doubtful of the depth and strength of the nationalization movement in Iran, which, in their minds, "had no solid grievances to feed on," the British rebuffed American entreaties for a plan that contained "some flavour or facade of nationalisation while retaining [the] substance of control." To them, the AIOC's concession was more than a mere commercial contract. It was a moral agreement that could not be abrogated unilaterally.37

With each side so firmly wedded to its position, the Washington talks failed to produce a common Anglo-American position on Iran. The Americans categorically refused to support any British policy that would not recognize, at least in principle, Iran's legal right to nationalize its oil industry. The British refused to concede this
right, pinning their hopes instead on the new proposal worked out with AIOC officials in London and presented for American approval during the bilateral talks in Washington. This "friendly partnership" proposal would give the Iranians control over the distribution of oil in Iran, speed up Iranianization, and create a new U.K.-registered company to handle the AIOC's Iranian concession and assets. The profits of the new company would be split equally between the Iranian government and the AIOC, and the Iranians would be permitted to appoint one member of its board of directors. The Foreign Office saw this proposal as the best way to appease the Iranians and to win American support. The Americans did not agree. Although McGhee thought the new proposal an improvement over previous British initiatives, he was dismayed that the British still failed to recognize Iran's legal right to nationalize the AIOC's property. This meant that Iran was bound to reject the new proposal, he said, and the United States was bound to maintain its position of "benevolent neutrality" until the British made further concessions.38

Just as the British and the Americans held different positions going into the Washington talks, so did they assess the meeting's results differently. American promises of "benevolent neutrality" and hints at further support boosted British spirits. Ambassador Franks thought that the Americans had "moved very considerably from their earlier disapproval and were now anxious to help." McGhee and his colleagues, however, found the talks "unsatisfactory and disappointing." The British, they lamented, had allowed the AIOC crisis "to take precedence over the more important question of keeping Iran free and independent." Nor were the Americans optimistic about Britain's ability to manage the Iranian crisis in the future. The new British proposal stood little chance of winning Iranian support, would lead to disaster for the British, and might ultimately push Iran into the Soviet camp.39

Developments in Iran during the Washington talks seemed to confirm
American pessimism. On 9 April the Iranian government had replied to Shepherd's note of 13 March, saying that its "business [was] with the A.I.O.C.," not with the British government. The note went on to condemn the company's rigid defense of the supplemental agreement, which no longer squared with nationalist aspirations in Iran and with "the rights of the Iranian people." Despite the threatening tone of Shepherd's note, the Iranian government refused to bow to pressure from London or to take any action until the Majlis Oil Commission had made its recommendation. British policymakers, who characterized Iran's reply as "offensive," were even more alarmed when Mossadegh publicly affirmed the inevitability of nationalization. He rejected arbitration, denounced the British government's "unlawful" interference in the oil question, and labeled Shepherd's note an exercise in "intimidation." The Washington talks, he said, constituted an unacceptable Anglo-American interference in Iran's internal affairs. Iran, he noted angrily, had not even been invited to participate in discussing its own future.40

By this time, in fact, support for nationalization was running so high in Iran that Ambassador Grady warned of "outright confiscation." There was almost nothing the AIOC could offer that would be acceptable to the Iranians, who were motivated more by their hatred of the company's "Victorian paternalism" than by any practical considerations. Iranian opposition to the company, he said, was evident in the strike that had broken out in the southwestern oil fields and had spread, with Tudeh assistance, throughout the country. The strike was a direct response to the AIOC's decision to discontinue a hardship allowance for workers in the outlying oil area of Bandar Mashur, and was fueled by promises of higher wages and more comprehensive benefits under nationalization. It halted oil production and prompted Ala to declare martial law for a period of two months. Yet even in the face of such obvious Iranian opposition to the AIOC the Foreign Office and the company continued to operate on "the assumption that the Iranians would not cut
off their noses to spite their faces," while in truth, Grady said, "there is nothing they love better to do." The task, he concluded, was to find a formula that would satisfy both "Iranian emotions" and British demands for an "efficient operation of AIOC properties" and for the "cash income" those properties generated. This task, difficult under the best of circumstances, was made more difficult by the lack of "any constructive thinking" in Iran. Despite a vote of confidence Ala had received on 17 April, there was a "widespread feeling" in Tehran that he was inadequate to "the present difficult position." Neither he nor any of his advisers had concrete ideas about how to resolve the situation, according to Grady, who was increasingly convinced that the AIOC and the British government must therefore "take the initiative." Instead, Ala seemed content to let the situation drift. Unable to marshal substantial support in the Majlis or from the shah, he could neither disarm the National Front nor stem the rising tide toward nationalization. By mid-April, in fact, the prime minister had apparently abandoned hope of remaining in office for any appreciable length of time.

In the absence of firm leadership in Tehran, the Foreign Office moved to implement the new plan it had unveiled in Washington. The first stage of this plan called for informal exploratory talks between Ambassador Shepherd and Prime Minister Ala to "determine an appropriate basis for opening negotiations" with the AIOC. Accordingly, Shepherd was instructed to outline the British proposals and to indicate his hope that Ala would use them as a basis for negotiations with the AIOC. But Shepherd's meeting with the prime minister on 26 April was disheartening. There could be no settlement, Ala asserted, unless the British accepted the "principle of nationalization" and the right of Iranians to "run the [oil] industry." Although Ala promised to give the British proposals further study, they fell far short in his mind of what the "National Front were demanding" and what the oil commission would accept, and were therefore not likely to win acceptance by the oil
Ala's predictions were borne out when the oil commission met later that same day to consider a resolution that would build on the Majlis's earlier endorsement of nationalization in principle by establishing an Iranian company to replace the AIOC and exploit its holdings. The hastily called meeting surprised the prime minister. He tried to reason with Mossadegh, warning against rash action, only to be confronted with a "fait accompli" when the oil commission decided on 27 April to nationalize the oil industry and establish an Iranian board to take over the AIOC's operations. Grady called the decision "ill-considered and un-thought-out" but conceded that it would "probably become [the] law of Iran within a few days."44

Indeed, events moved with even more speed and finality than Grady had anticipated. Ala suddenly resigned in protest over the commission's decision and the Majlis replaced him with Mossadegh, who won seventy-nine of the one hundred votes cast. As a precondition for accepting the office of prime minister, Mossadegh demanded ratification of the oil commission's decision in favor of nationalization. Ratification received unanimous support from all deputies present; the absence of prolonged debate indicated both the widespread support for nationalization within the Majlis and the seriousness of the situation for the British.

With passage of the measure likely by the Iranian Senate, the British mounted a desperate eleventh-hour campaign to rescue their position in Iran. The AIOC formally protested Iran's decision to nationalize the oil industry. In a statement approved by the Foreign Office, the company asserted that the 1933 agreement specifically prevented Iran from unilaterally abrogating the AIOC's concession.45 The Foreign Office reaffirmed this view when Shepherd issued a press statement that reviewed the history of AIOC-Iranian relations and claimed that Iran, in signing the 1933 agreement, had surrendered its right to nationalize the company's holdings. Shepherd's release also quoted an earlier statement by the new foreign secretary
Herbert Morrison, who had replaced the ailing Ernest Bevin on 9 March. In this statement, Morrison had warned that "unilateral or precipitate action" by Iran would "have very serious and far-reaching consequences."46

These British initiatives, together with the rapidly deteriorating situation in Iran, greatly complicated efforts to achieve a common Anglo-American strategy. Secretary of State Acheson feared "that events might now be moving so quickly . . . that there would be no time to deal with them sensibly." He lamented Britain's stubborn refusal to concede Iran's right to nationalize the oil industry and still believed that British leaders could at least "offer the shadow of nationalisation so long as [they] retained a few vital practical points," by which he undoubtedly meant that the British should propose an arrangement that would allow them to manage the oil industry on behalf of Iran and would split the industry's profits equally between the AIOC and the Iranian government. McGhee made much the same argument, albeit with more passion and spirit. He blamed the half-hearted British proposals for contributing to Ala's resignation, stressed the importance of acceding to Iranian demands, and adopted what the British saw as a "hectoring attitude" that amounted to "unhelpful needling." From the American point of view, however, it was the British who were being "unhelpful" and wrecking the chances for Anglo-American cooperation in a constructive solution to the Iranian imbroglio. The British were dead set against any concession to the principle of nationalization, determined to "'fight it out on this line if it takes all summer,'" and unable to see that such a policy had not succeeded in the past and would not succeed in the future. On the contrary, the Americans argued again, it would play into the hands of Iranian extremists and push the country into the waiting arms of the Soviet Union.47

The situation worsened on 1 May, when the shah signed into law the nationalization resolution that the Majlis had voted earlier and the Senate had subsequently approved. Under the so-called Nine Point Law, Iran officially
nationalized the AIOC's holdings, laid plans to assume its operations, and promised to pay compensation, but only if the AIOC settled all of Iran's outstanding claims against the company. To initiate the takeover of the AIOC's operations, the new law created a Mixed Oil Commission consisting of members of the Senate and Majlis and representatives chosen by the prime minister. Discussions with Mossadegh shortly thereafter confirmed Shepherd's belief that he "would be very difficult to negotiate with." An Iranian prime minister who was not "easily amenable to reason," as Shepherd described Mossadegh, did little to brighten the chances for a satisfactory settlement between Iran and Great Britain. Nor did the intransigence of the AIOC, the Foreign Office's stubborn adherence to the rule of law, and the reluctance of American leaders to get more deeply involved in the ongoing crisis. Under the circumstances, as the subsequent discussion reveals, the two months following passage of the Nine Point Law saw little progress toward a constructive solution.

The initial British reaction to the Nine-Point Law did not bode well for a solution that satisfied both British and Iranian demands. The Foreign Office branded Mossadegh "a mad man" on "the lunatic fringe" of Iranian politics, while Shepherd stressed the danger of Communist advances, detailed the practical obstacles to Iranian operation of the oil industry, and reiterated Britain's legal objections to cancellation of the AIOC's concession. As Shepherd's last point suggests, there were no signs of a new, more flexible approach to the Iranian crisis; even the interdepartmental Persian Oil Working Party chaired by M. T. Flett of the Treasury and created to deal with the deepening crisis failed to produce an acceptable proposal. Although British policymakers were willing to resume discussions with the government in Tehran, they continued to insist on preserving
"the oil company as such even if a separate Persian branch is created." Prime
Minister Clement Attlee summarized the British view in a stern message to
Mossadegh on 2 May. Likening Iranian actions to those of Communist countries, he
warned that nationalization "would seriously affect the social and economic well-
being of the Persian people, and might lead to an unhappy and most difficult
situation between our two countries."51

Attlee's message produced an acrimonious exchange between Mossadegh and
the Foreign Office. Where Attlee saw danger in Iran's apparent emulation of
Communist regimes, Mossadegh blamed the current crisis on the AIOC. Iran, he
said, was prepared to compensate the British company and to sell Iranian oil to its
former customers at fair rates. But it would never foresake the new plan to control
its own oil industry, which was the best way to "strengthen the economic structure of
the country," provide for the "general welfare of its people," and "put an end to
general poverty and dissatisfaction." Iran, the prime minister argued, was only doing
what Britain had already done: using "social reforms" to prevent communism.52 For
these reasons, it was duty-bound to proceed with nationalization, even if this course
led to a confrontation with the British government, as seemed likely. Indeed, as a
majority stockholder in the AIOC, the British government was determined "to
protect its interests in every way [it] properly can." The British would take the
AIOC's case to the International Court of Justice (ICJ) at The Hague, and they
warned again that unilateral action by Iran would lead to "serious consequences."53

If the negotiations between the British and Iranian governments had reached a
stalemate, so had those between Iran and the AIOC. On 8 May the company
formally requested arbitration by the ICJ under Articles 22 and 26 of the 1933
concession, appointed Lord Radcliffe as its arbitrator, and invited the Iranians to
appoint an arbitrator of their own. Mossadegh "expressed astonishment" at the
company's request, which he quickly rejected. He again stressed Iran's sovereign
right to nationalize its oil, a right that could neither be surrendered nor arbitrated by an international authority. Mossadegh was especially vocal in denying the validity of the 1933 Concession Agreement's prohibition against nationalization. Because that agreement had been signed by an autocratic regime that did not truly represent the Iranian people, it was null and void and could not be used to limit Iran's national rights. There was no retreating from the Nine Point Law, he proclaimed: It represented the will of the Iranian people and had been duly passed by the Majlis and the Senate and signed into law by the shah. To his way of thinking, nationalization of the oil industry constituted not only the realization of Iranian national aspirations but also the rebirth of Iranian morality. For almost fifty years, he proclaimed, the AIOC had intruded into Iran's internal affairs and contributed to the corruption and moral decay of the Iranian people. It was now time for the Iranians to retake control of their own lives and destinies. The AIOC, he said, was welcome to send a representative to Tehran, but only to hammer out arrangements for the smooth transfer of its former holdings to the Iranian government. The company was invited to join in "digging its own grave," as one observer explained, or the Iranians would proceed on their own.54

The AIOC did authorize a representative to meet with Iranian officials in Tehran. But it would not agree to formal discussions and proceeded with the British government to bring its case before the ICJ. Subsequent efforts to persuade the Iranians to recognize the court's jurisdiction in the matter continued to fail. In their eyes, the ICJ could not legally become involved in Iran's internal affairs, especially because its dispute was with the AIOC, not with the British government, and only governments had recourse to the court.55

As the discussions between the Iranians and the British reached a deadlock, the Americans were busy examining their own policy for dealing with the crisis. American leaders reaffirmed Iran's right to nationalize the AIOC, but they would
sanction neither nationalization without compensation nor abrogation of the company's contract against its will. In other words, they argued, any settlement of the oil question had to take account of both British and Iranian rights. Above all else, U.S. policymakers were concerned about Iran's position in the global balance of power. As a crucial bulwark against Soviet expansion in the Middle East and as an important supplier of petroleum, Iran was a vital link in the Western security chain, especially at a time when the Korean War was diverting both Western resources and attention from the Middle East. It was therefore essential to avoid steps that might compromise Iran's position or push it into the Soviet bloc. Such an eventuality might require "extraordinary political measures," Acheson explained, but his real goal remained a negotiated settlement that made such measures unnecessary.56

With this goal in mind, Ambassador Grady sought to persuade Mossadegh to resume negotiations with the British. He was not sanguine about the prospects. Like the British, he and other Americans considered the prime minister to be little more than a "demagogue" who greatly overestimated Iran's ability to run the AIOC's operations and incorrectly assumed that American and other foreign oil companies would come to Iran's assistance. Grady tried to disabuse Mossadegh of these notions and to moderate his position, only to see his worst fears come true. The prime minister was adamant on the issue of nationalization, his anti-British sentiment reaching the level of "white heat." He was also firmly opposed to compensating the AIOC unless it first addressed Iranian claims against the company, which in Grady's calculation were far greater than whatever the AIOC might receive. Even arguments that unilateral Iranian action would jeopardize future foreign investment in Iran and that Iranian oil was not irreplaceable did little to move the prime minister, so that Grady was forced to conclude that a negotiated settlement was probably next to impossible.57
Nor were the Iranians the only thorn in the Americans' side. The Foreign Office still insisted that the AIOC retain its holdings in Iran, notwithstanding the State Department's assertion that such a position doomed all chances of an acceptable solution. The two sides were at loggerheads on other important issues as well, notably the potential use of British force in Iran. As early as March 1951 the British had begun to reinforce their naval and ground forces in the Middle East as a show of force.58 But as the Iranian crisis deteriorated throughout the spring, the chance of more resolute action to protect the AIOC's position and to keep Iranian oil flowing became increasingly likely. Policymakers on the Defence and Chiefs of Staff committees and within the Foreign Office began to consider the use of force to hold the Iranian oilfields and to safeguard the AIOC's refinery at Abadan, as well as to protect British citizens from hostile Iranian action. Defence Minister Emmanuel Shinwell made a strong case for such a course, but was eventually overruled by more practical colleagues, who noted the difficulties involved. Britain's balance of payments crisis, they said, would prevent it from financing what was sure to be a long, drawn out struggle to control the oil installations; nor were its military reserves or public opinion likely to sustain such an operation. In addition, holding the oilfields and the Abadan refinery would not ensure the continued flow of oil, because essential local labor would be unavailable in the event of a British invasion.59

More important than the economic and political obstacles to a military operation, however, was American opposition to such a move. After discussions with President Truman and the National Security Council, Secretary Acheson enumerated the circumstances in which the United States could sanction the use of British force: at the invitation of the Iranian government; in the event of Soviet military intervention; to counter a Communist coup d'etat in Tehran; or to evacuate British nationals in danger of attack. The use of force in any other instance, he
argued, particularly against the Mossadegh regime, would be a prescription for disaster because it might invite Soviet countermeasures. Although Acheson's position temporarily halted British plans for a military operation against Iran it did not quash them entirely. As the next chapter will reveal, the possibility of a British invasion remained alive until the AIOC withdrew from Iran in October.

Another area of Anglo-American discord concerned U.S. assistance to Iran, which in 1951 would amount to approximately $30 million. The State Department saw this aid as a way to bolster the shah against internal threats, to increase American influence in Iran, and to keep that country firmly in the Western camp. This assistance had become even more important when the failure of a proposed Export-Import Bank loan and the halt in oil revenues threatened to push Iran into a financial abyss. But in the Foreign Office's estimation, U.S. assistance only stiffened Iran's opposition to an oil settlement and further weakened the British position in that country. Accordingly, the British tried without success to convince Washington to cancel, delay, or drastically curtail future aid to Iran.

Their failure in this regard combined with persistent American criticism and the general decline of British power in the Middle East to produce a bitter reaction in London. Foreign secretary Herbert Morrison expressed resentment over U.S. efforts to "order me about," as he put it. Ambassador Gifford saw Morrison's lament as an indication of frustration with the "growing Near East practice of twisting the lion's tail" at a time when Britain's diminished power kept it from taking "preventive or retaliatory action." The situation, he said, struck at the foundations of British pride and "efforts to re-establish themselves as [an] equal partner" with the United States. The British Cabinet had said as much earlier when it bewailed Britain's declining influence not only in Iran but in Iraq, Israel, and Egypt as well. This sorry state of affairs increased the need for American assistance in bringing the Iranians to their knees, but also all the more frustrating to be so dependent on an
ally that would not support what it saw as an unwise policy. If the American government was reluctant to make a full-scale commitment to its British ally, neither would the government nor the major U.S. oil companies take advantage of the AIOC's predicament or throw their full support behind Iran. To be sure, the American majors were unrestrained in their criticism of the AIOC's past policies in Iran. But they also refused to profit from the AIOC's distress. In discussions with the State Department in mid-May, company executives indicated that no "responsible" firm would consider supplanting the AIOC in Iran. This kind of "concession jumping," they argued, would threaten concessions in other parts of the world by inducing countries to forfeit contracts with one company in favor of more lucrative arrangements with another and would thus amount to "cutting the industry's own throat." They also acknowledged that Iran's campaign against the AIOC called into question the likelihood that it would honor any future oil agreement. Company sentiment pleased the assistant secretary, who worried about the consequences for Anglo-American relations should U.S. companies appear to be moving in on the AIOC's territory. Besides, he reasoned, the Iranians might be more inclined to compromise with the British once they understood that American firms would not market nationalized oil or operate a nationalized industry.

The understanding reached by the American government and oil companies, which the State Department announced on 18 May, was a mixed blessing to the British and a source of consternation to the Iranians. The British welcomed the position taken by the companies, seeing it as leverage against the Iranians, but were unhappy with that portion of the State Department announcement that held Britain and Iran equally responsible for the continuing crisis. This was an assertion the British simply could not accept. Nor did Morrison believe it likely to have any constructive influence on the Iranians, whose intransigence would be encouraged by any sign of Anglo-American discord. In Iran, on the other hand, Grady expected the
announcement to have a positive effect. To be sure, the Iranians complained of American interference in their internal affairs and accused the United States of reversing its previous support of Iran’s right to nationalize. Nevertheless, Grady considered the announcement a long-overdue step, and one that would shatter the erroneous belief shared by most Iranians that the United States was "sympathetic not only to their aspirations but to their recent methods of attempting to attain them."64

American hopes seemed to be realized in the weeks following the State Department’s announcement, as first the British and then the Iranians responded with what appeared to be more flexible and conciliatory policies. In a statement to the House of Commons on 29 May that resulted from prolonged discussions within the British government, Prime Minister Attlee announced that although his government could not allow Iran unilaterally to cancel the AIOC’s contract, it was prepared to accept "some form of nationalisation, provided . . . it were satisfactory in other respects," these other respects presumably being the payment of adequate compensation to the company and British retention of control over Iranian oil. As Attlee had explained earlier, it was "the title and all that was implicit in it" that was important. The British would accept the word "nationalization" because it would allow the Iranians to save face. But the "nationalization" they had in mind would not allow the Iranians to gain control of the oil industry.65

American policymakers applauded this step, believing it would strengthen the hands of Iranian moderates, including the shah, and weaken those of Mossadegh and the extremists. Two days later, Mossadegh invited the AIOC to send a delegation to Iran, an invitation the company was prepared to accept. President Truman urged Attlee to authorize the talks. He should send a delegation to Tehran, Truman said, with instructions to negotiate a settlement that recognized Iran’s right to nationalize its oil resources. Attlee seemed amenable to this suggestion, telling
Truman on 6 June that British leaders could not accept a "breach of contract" by Iran but would authorize a delegation of AIOC officials to initiate discussions with the government there looking toward a settlement that would involve nationalization in principle. Ambassador Shepherd thought that AIOC officials would now have a chance to explain to Mossadegh "the difference between the Anglo-Iranian Oil Company and a small garage." His sarcasm notwithstanding, both British and American policymakers were cautiously optimistic about the coming negotiations.

There were good reasons to be cautious. After all, Mossadegh still insisted that discussions be conducted within the framework of the Nationalization Law, which left no room for alternatives to all-out nationalization and would therefore prevent the AIOC from retaining control over Iranian oil. Mossadegh also refused to treat AIOC officials, or their position, with much respect, considering them "fools" and knaves," as Berthoud reported, who were "misguided" at best and "dishonest" at worst. In addition, the prime minister remained "almost fanatic" in his apparent disregard for the economic consequences of nationalization. ""'Tant pis pour nous. Too bad for us,'" was his usual response when reminded that Iran's oil industry might shut down as a result of the Anglo-Iranian confrontation. ""'It would be better for Iran to be rid of all foreign influence,'" Mossadegh asserted, "'even if disorder and communism follow.'" Mossadegh's long-standing opposition to the Tudeh party, however, called into question his willingness to see communism triumph, as did his subsequent efforts to maintain the flow of oil. Seen in this light, his dire warning of a Communist Iran was probably a negotiating ploy designed to exact more concessions from the British and greater support from the Americans. Torn between his "emotional" desire to expel the British and his practical responsibility to ensure that Iranian oil continued to flow, Mossadegh believed that by flirting with communism he could have both.
At the same time, the prime minister proceeded as if the outcome of the talks were foreordained. He placed an Iranian flag atop AIOC headquarters in Tehran, proclaimed that the company's property now belonged to the Iranian government, ordered the Temporary Managing Board, which the Mixed Oil Commission had set up to run the oil industry until the National Iranian Oil Company (NIOC) had been organized, to sever all of the AIOC's previous contracts, and announced that its workers would henceforth be employed by the Iranian government. These and other actions, taken over the objections of Ambassadors Grady and Shepherd, did not bode well for the coming talks.68

When the AIOC delegation arrived in Tehran on 10 June it thus found the company's operations already under siege. The situation deteriorated as negotiations got under way. The Iranians refused to begin discussions until the company had surrendered its bank deposits and turned over all of its receipts, less 25 percent that would be set aside for payment of the AIOC's legitimate claims. The AIOC steadfastly refused to meet these demands and received support from the State Department and the Foreign Office, both of which considered Iran's demands "completely unreasonable" and "totally unacceptable."69 In an effort to get the talks off to a better start and guarantee the continued flow of Iranian oil, the AIOC delegation offered Iran an immediate advance of £10 million. It was also willing to make additional payments of £3 million per month until the dispute was settled and to organize a subsidiary company that would run the AIOC's operations on behalf of the NIOC, which at that point existed only on paper. To Grady, whom the British were careful to keep informed, these proposals constituted a "generous" basis for the negotiation of a "satisfactory settlement." But after thirty minutes of deliberation, the Iranians rejected them as contradictory to the Nationalization Law because they did not allow for full Iranian control of the oil industry. As far as the Iranians were concerned, the negotiations were terminated; the British delegation was advised to
Anglo-American discussions yielded U.S. agreement that Iran's conduct had been "completely unjustified" and "demented" as well as much-coveted promises of American support for the recent proposals advanced by the British but rejected by the Iranians. Ambassadors Grady and Shepherd urged Mossadegh to moderate his position, warning again of the economic hardship that would result from a shutdown of the oil industry. Already, Grady observed, Iranian consumers were surprised to learn that they had to pay for gasoline pumped from nationalized wells. Public distress and disillusionment would only grow, he told Mossadegh, if Iran maintained its present course. Nevertheless, Mossadegh continued to insist that the AIOC would be "dispossessed," even if this meant stopping oil operations. Nor did he seem concerned about a hostile public reaction. "Public feeling against the Anglo-Iranian Oil Company [was] so intense," he said, "that no Government would ever dare" to be associated with it, and the company must therefore cease its operations. When appeals to Mossadegh were ineffectual, Grady and Shepherd implored the shah to take action against the government. He could demand Mossadegh's resignation, they suggested, or call for the dissolution of the Majlis, both of which might lead to a government more amenable to reason. The shah appreciated the possible dangers of Mossadegh's policies, but was reluctant to place himself in open opposition to the popular prime minister. He was also afraid of exceeding his constitutional powers by directly acting to remove Mossadegh from office. If Mossadegh were to fall, he said, it would have to be under his own weight. With little chance of an immediate improvement in the situation, the British delegation decided to return to London. The Americans lamented that this decision might doom all chances of a negotiated settlement. But even they agreed that Iranian action made further discussions unlikely.
Following the collapse of Anglo-Iranian negotiations, Mossadegh's government moved to consolidate its control over the AIOC's operations, with some unexpected results. It proposed an anti-sabotage bill that would prevent the British from interfering with oil production, only to withdraw the bill from the Majlis when Mossadegh realized that it would drive British workers from their jobs, halt oil production, and further weaken the Iranian economy. Similar consequences were threatened by a government decree that required tankers calling at Abadan to recognize the NIOC as the legitimate owner of Iranian oil and to pay it, rather than the AIOC, for the oil they loaded. The AIOC and other international oil companies bristled at the regulation and refused to cooperate, which meant that oil exports ground almost to a halt in late June, storage tanks at Abadan filled to capacity, and refinery officials began preparing to suspend operations. By that time, in fact, the AIOC had abandoned any hope of a negotiated settlement and was resigned to withdrawing from Iran.

The British government had also written off the chances of a negotiated settlement with Mossadegh. Officials in the Foreign Office considered him an "elderly lunatic" bent on "wrecking" Iran and "handing it" over to the Soviet Union. His recent conduct of the oil negotiations, they believed, proved his intention to implement nationalization without a thought to either the AIOC's rights or Iran's well-being. Nevertheless, the government was not yet ready to accept Berthoud's assertion that the prime minister's "removal" was "now objective number one." Instead, it mounted an anti-Mossadegh propaganda campaign in Tehran and stepped up efforts to encourage Iranian opposition to the prime minister. In addition, it began readying plans for replacing Iranian oil with other supplies.

Mossadegh had not expected this kind of British opposition. He knew that Iran lacked the trained personnel to run the industry without the aid of British technicians and that closing Iran's oil industry would have "serious" consequences,
not only for his own country but also for Great Britain and "all other countries which use Iranian oil." His repeated assertions that Iran valued "independence more than economics" thus appeared as hollow bluffs designed to push the British into negotiations and to win American support. It was apparently the prime minister's hope that Anglo-American fears of a Communist Iran would moderate their opposition to nationalization and allow him to take control of the AIOC's assets. When these plays to the balcony failed, however, Mossadegh adopted what Grady termed a "more conciliatory attitude," making an oblique appeal for American mediation of the dispute.77

Mossadegh's appeal came just as U.S. policy was hardening against the "threat and fear" tactics Iran had recently employed against the British, the most recent examples of which had been its rejection of the British proposals and its continued moves to confiscate the AIOC's property. It was also coincident with the U.S. decision, in NSC 107/2, to "bring its influence to bear" in finding a settlement to the oil crisis that preserved both Iranian and British rights. To keep the door to a future solution open in the interim, the United States proposed a sixty-day moratorium on efforts to consolidate Iran's control over the AIOC's property. During this period, oil operations would continue unhampered while the British and the Iranians tried to reach a permanent arrangement. Although the British were prepared to accept this proposal, Mossadegh rejected it on the grounds that nothing could be done to halt the implementation of the Nationalization Law.78

Britain's acceptance of the American-sponsored moratorium indicated its desire to solve the oil crisis amicably. It also revealed the Labour government's desperation at its continued inability to attain such a solution and, perhaps, a desire to mend fences with the American government. Conservatives in the House of Commons had mounted a protracted assault against the government's handling of the Iranian situation on 21 June, accusing the Labour party of inspiring the current
crisis by advocating nationalization at home, criticizing the government's plans for evacuating the AIOC's staff, and urging strong action to protect the oilfields and the Abadan refinery. Morrison's rebuttal to these charges was less a defense of the government or a plea for parliamentary unity than a biting counterblast against the Conservatives, whom, he argued, had yet to accept that "the imperialism on which they were brought up is dead." Sounding much like Acheson and other American policymakers, Morrison asserted that drastic or forceful action in Iran would only exacerbate the situation, lead to Soviet intervention, and run the risk of further American criticism. Needed instead was some kind of peaceful solution. In an effort to defuse the mounting partisanship that had come to characterize the oil crisis, the government conferred with Winston Churchill, Anthony Eden, and other Conservative leaders a week later. This extraordinary meeting, which came at Churchill's request, produced little in the way of new suggestions. It did, however, convince the assembled leaders of the necessity for American cooperation in the Iranian crisis and might have prompted Churchill's plea that Truman accept Mossadegh's request for mediation. The Iranian situation was much more important than the war in Korea, Churchill proclaimed, and he decried America's apparent failure to appreciate its seriousness.

American leaders would have disputed the assertion that they failed to comprehend the seriousness of the Iranian crisis. On the contrary, they knew well the implications the crisis could have on both the economic and strategic position of the Western alliance. For this reason, they began a reformulation of their policy toward the Iranian crisis that led ultimately to acceptance of Mossadegh's appeal for American mediation of the Anglo-Iranian dispute. With Britain and Iran pursuing such dramatically polarized positions, however, it remained to be seen if U.S.
intervention could harness the tide of Iranian nationalism to a constructive settlement.
NOTES

1Record of 3 January 1951 meeting between Gass and Rice (AIOC), Nuttall (Ministry of Fuel and Power), and Furlonge, Fry, Ramsbotham, and Barnett (FO), 7 January 1951, FO 371, 91521/EP1531/19. See also Barnett minute, 3 January 1951, FO 371, 91521/EP1531/11; and record of meeting between Butler and Nuttall and Furlonge, Fry, Ramsbotham, and Barnett, 3 January 1951, FO 371, 91521/EP1531/12.


3Furlonge to Burrows, 10 January 1951, FO 371, 91521/EP1531/16; Shepherd dispatch 376 to FO, 4 January 1951, FO 371, 91521/EP1531/7. See also Shepherd tel. 26 to FO, 10 January 1951, FO 371, 91521/EP1531/17.


5Grady tel. 1455 to State Department, 3 January 1951, RG 59, 888.2553/1-351; Acheson tel. 1122 to American embassy, Tehran, 6 January 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East.

6Richards dispatch 509 to State Department, 5 January 1951, RG 59, 788.00/1-551. See also record of 3 January 1951 meeting between Gass and Rice, Nuttall, and Furlonge, Fry, Ramsbotham, and Barnett, 7 January 1951, FO 371, 91521/EP1521/19; and Grady tel. 1504 to State Department, 8 January 1951, RG 59, 888.2553/1-851.

7Richards dispatch 540 to State Department, 11 January 1951, RG 59, 788.00/1-1151. See also Grady tel. 1549 to State Department, 12 January 1951, RG 59, 888.2553/1-1251; and Azimi, Crisis of Democracy, 236-36.

8Record of meeting between Gass, Northcroft, and Rice, Young, Potter,
Grady tel. 549 to State Department, 12 January 1951, RG 59, 888.2553/1-1251; Shepherd to Furlonge, with attached "Note to Persian Government or to Persian Ambassador in London" and FO minutes, 14 January 1951, FO 371, 91521/EP1531/25. See also Richards dispatch 540 to State Department, 11 January 1951, RG 59, 888.2553/1-1151; Grady tel. 1563 to State Department, 13 January 1951, RG 59, 888.2553/1-1351; and acting British consul Khorramshahr tel. 4 to FO, 22 January 1951, FO 371, 91522/EP1531/30.

Grady tel. 1563 to State Department, 13 January 1951, RG 59, 888.2553/1-1351; Richards dispatch 540 to State Department, 11 January 1951, RG 59, 788.00/1-1151.

For more on Iran's precarious economic situation see Nikki R. Keddie, Roots of Revolution: An Interpretive History of Modern Iran (New Haven, 1981), 131-32.


See Young memorandum, 18 January 1951, T236/2824; Serpell to Fry, with attached FO minutes, 6 February 1951, FO 371, 91522/EP1531/39; Fry minute, 6 February 1951, FO 371, 91522/EP1531/38; Grady tel. 1767 to State Department, 7 February 1951, RG 59, 888.2553/AIOC/2-751; Fry minute, 9 February 1951, FO 371, 91522/EP1531/38; and Furlonge to Shepherd, 27 February 1951, FO 371, 91522/EP1531/35.

Shepherd tel. 73 to FO, 4 February 1951, FO 371, 91522/EP1531/37. See also Shepherd tel. 87 to FO, 8 February 1951, FO 371, 91522/EP1531/40; and Shepherd tel. 93 to FO, 10 February 1951, FO 371, 91522/EP1531/41.

See Shepherd tel. 87 to FO, 8 February 1951, FO 371, 91522/EP1531/40; Shepherd tel. 93 to FO, 10 February 1951, FO 371, 91522/EP1531/41; Shepherd tel. 95 to FO, 11 February 1951, FO 371, 91522/EP1531/42; and Shepherd tel. 99 to
FO, 14 February 1951, FO 371, 91522/EP1531/50.

17Shepherd tel. 93 to FO, 10 February 1951, FO 371, 91522/EP1531/41; Shepherd tel. 87 to FO, 8 February 1951, FO 371, 91522/EP1531/40; Furlonge (Bahrain) tel. 69 to FO, 16 February 1951, FO 371, 91522/EP1531/55. See also Shepherd tel. 73 to FO, 4 February 1951, FO 371, 91522/EP1531/37.

18Shepherd tel. 94 to FO, 11 February 1951, FO 371, 91522/EP1531/43. See also FO tel. 115 to British embassy, Bahrain, 13 February 1951, FO 371, 91522/EP1531/45; Furlonge tel. 69 to FO, 16 February 1951, FO 371, 91522/EP1531/55; Gifford tel. 4571 to State Department, 21 February 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East; and Parliamentary Debates (Commons), 5th ser. (1951), vol. 484, col. 1262.

19Shepherd tel. 95 to FO, 11 February 1951, FO 371, 91522/EP1531/42; Richards (Tehran) tel. 1847 to State Department, 16 February 1951, RG 59, 888.2553 AIOC/2-1651.

Northcroft to Rice, 22 February 1951, FO 371, 91522/EP1531/62. See also Shepherd tel. 119 to FO, 21 February 1951, FO 371, 91522/EP1531/60; and Shepherd tel. 120 to FO, 21 February 1951, FO 371, 91522/EP1531/62.


24Shepherd tel. 144 to FO, 4 March 1951, FO 371, 91523/EP1531/79. See also Shepherd tel. 154 to FO, 6 March 1951, FO 371, 91523/EP1531/86.

25See minutes of the undersecretary's meeting, 7 March 1951, RG 59, General Records of the Executive Secretariat, Minutes of the Undersecretary's Meetings, lot 58 D 609 (hereafter RG 59, lot 58 D 609); Gifford tel. 4829 to State Department, 8 March 1951, RG 59, 788.00/3-851; summary of telegrams, 8 and 12 March 1951, Harry S. Truman Papers, State Department Briefs, box 23, folder: Daily Briefs, Mar-Apr 1951, Truman Library, Independence, Missouri; Grady tel. 2013 to State Department, 9 March 1951, RG 59, 788.00/3-951; and Berry memorandum for the secretary (Acheson), "The Iranian Situation," 14 March 1951, RG 59, 788.00/3-1451.


28Grady tel. 2094 to State Department, 16 March 1951, RG 59, 888.2553/3-1651. Although only a handful of Majlis deputies actually belonged to the National Front, strong public sentiment for nationalization from nearly all quarters of Iranian society, "from religious reactionaries of the far-right to Tudeh members of the far left," guaranteed their support. See Diba, Mossadegh, 111.

29See Shepherd tel. 196 to FO, 15 March 1951, FO 371, 91524/EP1531/108; and Shepherd dispatch 97 to FO, 19 March 1951, FO 371, 91524/EP1531/125. For the internal dynamics of Majlis support for nationalization see Cottam, Nationalism in Iran, 269-70; and Keddie, Roots of Revolution, 133.

30Grady tel. 2094 to State Department, 16 March 1951, RG 59, 888.2553/3-1651. See also Shepherd tel. 196 to FO, 15 March 1951, FO 371, 91524/EP1531/108; and Azimi, Crisis of Democracy, 248-49.


32Gifford tel. 4991 to State Department, 19 March 1951, RG 84, London Embassy, Classified Records, 523.1Middle East.

33Shepherd tel. 205 to FO, 18 March 1951, FO 371, 91524/EP1531/117;
Shepherd tel. 261 to FO, 28 March 1951, FO 371, 91525/EP1531/137; Gifford tel. 5044 to State Department, 21 March 1951, RG 59, 888.2553/3-2151; Rodney E. Willoughby (U.S. petroleum adviser, London) to Edwin G. Moline (acting chief, Petroleum Policy Staff, State Department), 17 April 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East. See also Grady tel. 2100 to State Department, 17 March 1951, RG 59, 888.2553AIOC/3-1751; record of 20 March 1951 interdepartmental meeting, 21 March 1951, FO 371, 91525/EP1531/149; Grady tel. 2187 to State Department, 27 March 1951, RG 59, 888.2553AIOC/3-2751; Gifford tel. 5142 to State Department, 30 March 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East; memorandum by the minister of fuel and power, D.O.(51)41, "The Nationalisation of Oil in Persia," 30 March 1951, CAB 21/1982; and William Strang et al. minutes, 7 March 1951, FO 371, 91526/EP1531/184.

See Gifford tel. 4871 to State Department, 10 March 1951, RG 59, 888.2553AIOC/3-1051; Acheson tel. 4209 to American embassy, London, 16 March 1951, RG 59, 888.2553/3-1651; Crocker (American embassy, Baghdad) tel. 541 to State Department, 17 March 1951, FRUS, 1951 5:285-86; Gifford tel. 5006 to State Department, 20 March 1951, RG 59, 888.2553/3-2051; Gifford tel. 5169 to State Department, 30 March 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East; and Jefferson Caffery (American ambassador to Egypt) tel. 1000 to State Department, 1 April 1951, RG 59, 880.2553/4-151.


See also U.K. record of second meeting (10 April 1951) between U.S. and U.K. delegations, 13 April 1951, FO 371, 91471/EP1023/37; Franks tel. 1081 to FO, 10 April 1951, FO 371, 91470/EP1023/18; minutes of undersecretary's meeting, 11 April 1951, RG 59, lot 58 D 609; Rountree memorandum of conversation with British ambassador (Franks), 17 April 1951, RG 59, 641.88/4-1751; Franks tel. 1181 to FO, 17 April 1951, FO 371, 91471/EP1023/35; U.K. record of 17 April meeting between U.S. and U.K. delegations, 19 April 1951, FO 371, 91471/EP1023/52; and Rountree memorandum of conversation with British ambassador, 18 April 1951, RG 59, 641.88/4-1851.


Franks tel. 1194 to FO, 18 April 1951, FO 371, 91471/EP1023/39; summary of meeting with the secretary, 23 April 1951, RG 59, lot 58 D 609; McGhee memorandum for the secretary, "Discussion of the Iranian Situation with the British Ambassador," 27 April 1951, RG 59, 788.00/4-1751. See also Acheson tel. 1900 to American embassy, Tehran, 19 April 1951, RG 788.00/4-1951.

"Exchange of Notes between the British and Persian Governments on the Proposed Nationalization of the Oil Industry," 14 March 1951, DIA. 1951.475-78; Grady tel. 2328 to State Department, 10 April 1951, RG 84, London Embassy, Classified Records, 423.1Middle East; Grady tel. 2322 to State Department, 8 April 1951, RG 59, 888.2553/4-851. See also Richards dispatch 308, "Statement on Oil Nationalization Released by Dr. Mosadeg, National Front Leader, at Press Conference April 8," 10 April 1951, RG 59, 888.2553/5-151.

Grady tel. 2399 to State Department, 13 April 1951, RG 59, 888.2553/4-1351; Franks to Strang, 21 April 1951, FO 371, 91529/EP1531/241; Grady tel. 2465 to State Department, 18 April 1951, RG 59, 888.2553/4-1851.

Grady tel 2535 to State Department, 24 April 1951, RG 59, 888.2553/4-2451; Shepherd tel. 363 to FO, 20 April 1951, FO 371, 91529/EP1531/242; Grady tel. 2514 to State Department, RG 59, 888.2553/4-2351. See also Ferguson memorandum of conversation with Iranian ambassador (Entezam), 9 April 1951, RG 59, 888.2553/4-951; C.M.(51) 30th Conclusions, 23 April 1951, CABINET 30 (51), Cabinet Minutes, Conclusions, and Memoranda, Record Class CAB 128/19, Public Record Office (hereafter CAB 128, with filing information); Furlonge to Serpell, 25 April 1951, FO 371, 91527/EP1531/212; and Azimi, Crisis of Democracy, 252-54.

Franks tel. 1128 to FO, 13 April 1951, FO 371, 91471/EP1023/26;

^Shepherd tel. 378 to FO, 24 April 1951, FO 371, 91527/EP1531/209; Grady tel. 2573 to State Department, 27 April 1951, RG 59, 888.2553/4-2751. See also Shepherd tel. 379 to FO, 24 April 1951, FO 371, 91527/EP1531/210; Grady tel. 2533 to State Department, 24 April 1951, RG 59, 888.2553/4-2451; Shepherd tel. 398 to FO, 27 April 1951, FO 371, 91528/EP1531/225; Grady tel. 2582 to State Department, 27 April 1951, RG 59, 888.2553/4-2751; and Grady tel. 2633 to State Department, 1 May 1951, RG 59, 888.2553/5-151.


^Grady tel. 2580 to State Department, 27 April 1951, RG 59, 888.2553/AIOC/4-2751. See also FO tel 314 to British embassy, Tehran, 28 April 1951, FO 371, 91528/EP1531/225; W. E. Beckett minute, 28 April 1951, FO 371, 91530/EP1531/270; Franks tel. 1510 to FO, 29 April 1951, FO 371, 91528/EP1531/237; Grady tel. 2604 to State Department, 29 April 1951, RG 59, 788.00/4-2951; Grady tel. 2605 to State Department, 29 April 1951, RG 59, 788.00/4-2951; Furlonge notes for secretary of state, 29 April 1951, FO 371, 91529/EP1531/256; FO tel. 1791 to British embassy Washington, 30 April 1951, FO 371, 91528/EP1531/237; C.M.(51) 32d Conclusions, 30 April 1951, CABINET 32 (51), CAB 128/19; and "Extract from Statement in House of Commons by the Secretary of State for Foreign Affairs, Mr. Herbert Morrison, on the United Kingdom's Attitude towards the Negotiations with the Persian Government," 1 May 1951, DIA, 1951, 480-81.


^Shepherd tel. 425 to FO, 2 May 1951, FO 371, 91529/EP1531/252. See also "Law Nationalizing the Oil Industry in Persia," 1 May 1951, DIA, 1951, 481-82;
Shepherd tel. 418 to FO, 1 May 1951, FO 371, 91529/EP1531/244; and Shepherd tel. 426 to FO, 2 May 1951, FO 371, 91529/EP1531/251.


Morrison message to Mossadegh, 2 May 1951, DIA, 1951, AIOC/5-2651. See also "Extract from the Statement in the House of Commons by the Secretary of State for Foreign Affairs, Mr. Herbert Morrison, on the United Kingdom's Attitude towards the Negotiations with the Iranian Government," 1 May 1951, DIA, 1951, 480-81; FO tel. 350 to British embassy Tehran, 5 May 1951, FO 371, 91530/EP1531/262; R. J. Bowker to Shepherd, 5 May 1951, FO 371, 91531/EP1531/294; Shepherd tel. 450 to FO, 7 May 1951, FO 371, 91531/EP1531/387; Shepherd, "Interview with the Prime Minister (Mossadegh)," 7 May 1951, FO 371, 91534/EP1531/338; and Shepherd tel. 469 to FO, 11 May 1951, FO 371, 91533/EP1531/305.

Reply from Dr. Mossadegh to Mr. Morrison's Note," 8 May 1951, DIA, 1951, 484-85; Shepherd tel. 425 to FO, 2 May 1951, FO 371, 91529/EP1531/252.

Richards dispatch 2800, enclosing copy of British note to Iran, 21 May 1951, RG 59, 888.2553/5-2151. See also Furlonge minute, 3 May 1951, FO 371, 91353/EP1531/300.

Grady tel. 2721 to State Department, 9 May 1951, RG 59, 888.2553/5-95; Carr dispatch 1016, "Monthly Economic Review," 29 May 1951, RG 59, 888.00/5-2951. See also Rothnie minute, 1 May 1951, FO 371, 91530/EP1531/279; Shepherd tel. 445 to FO, 5 May 1951, FO 371, 91530/EP1531/268; FO tel. 350 to British embassy, Tehran, 5 May 1951, FO 371, 91530/EP1531/262; Gifford tel. 5792 to State Department, 7 May 1951, RG 59, 888.2553/5-751; "Letter from N. R. Seddon, Chief Representative of the Anglo-Iranian Oil Company in Tehran, to Dr. Mossadegh, Informing Him of the Company's Appointment of an Arbitrator," 8 May 1951, DIA, 1951, 485; Grady tel. 2777 to State Department, 9 May 1951, RG 59, 888.2553/5-95; Mohammad Ali Varasteh (Iranian minister of finance) to Seddon, 20 May 1951, FO 371, 91357/EP1531/404; and Azimi, Crisis of Democracy, 260-61.

See FO tel. 352 to British embassy, Tehran, 5 May 1951, FO 371, 91530/EP1531/262; record of meeting between representatives of British government (FO, T, MFP) and AIOC, 22 May 1951, FO 371, 91537/EP1531/405; Varasteh to Seddon, 24 May 1951, ICI Pleadings, 44; FO tel. 2186 to British embassy, Washington, 24 May 1951, FO 371, 91355/EP1531/354; Acheson tel. 2213 to American embassy Tehran, 26 May 1951, RG 59, 888.2553/5-2651; Gifford tel. 6197 to State Department, 26 May 1951, RG 59, 888.2553/5-2651; Grady tel. 3000 to State Department, 27 May 1951, RG 59, 888.2553/5-2751; Grady tel. 3022 to State Department, 29 May 1951, RG 59, 888.2553/5-2951; and FO tel. 436 to British embassy, Tehran, 26 May 1951, FO 371, 91535/EP1531/356.

Acheson tel. 2067 to American embassy Tehran, 10 May 1951, RG 59,
788.13/5-1051. See also NIE-26, "Key Problems Affecting US Efforts to Strengthen the Near East," 25 April 1951, Truman Papers, Intelligence File, box 253, folder: Intelligence Reports, NIE 21-26; Grady dispatch 889 to State Department re 2 May 1951 conversation with Mossadegh, 4 May 1951, RG 59, 611.88/5-451; and Acheson tel. 2194 to American embassy, Tehran, 24 May 1951, RG 59, 888.2553/5-2451.

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For the initial British military buildup see Kirk (Moscow) tel. 1765 to State Department, 5 April 1951, RG 59, 788.00/4-551; Ramazani, Iran's Foreign Policy, 205-6; Mosley, Power Play, 205; and Acheson, Present at the Creation, 505-6.

See Gifford tel. 5142 to State Department, 30 March 1951, RG 59, 888.2553/3-3051; FO tel. 2022 to British embassy, Washington, 14 May 1951, FO 371, 91534/EP1531/305; Franks tels. 1524 and 1525 to FO, 16 May 1951, both in FO 371, 91534/EP1531/334; Franks tel. 1547 to FO, 17 May 1951, FO 371, 91535/EP1531/354; and FO tel 2103 to British embassy, Washington, 18 May 1951, FO 371, 91535/EP1531/354. For the internal British debate over the use of force in Iran see Chiefs of Staff Committee, Joint Planning Committee, J.P.(51-58 Final), "Implications of Military Action in Persia: Report by the Joint Planning Staff," 21 March 1951, Records of the Chiefs of Staff Committee, Record Class DEFE4/41, Public Record Office (hereafter DEFE4, with filing information); D.O.(51)38, Defence Committee, Persia, memorandum by the secretary of state for foreign affairs, 29 March 1951, CAB 21/1982; minutes of Chiefs of Staff Committee meeting, 30 April 1951, DEFE4/42; Chiefs of Staff Committee confidential annex to C.O.S.(51)5th meeting, 8 May 1951, CAB 21/1982; Chiefs of Staff Committee confidential annex to C.O.S.(51)82d meeting, 13 May 1951, CAB 21/1982; Chiefs of Staff Committee confidential annex to C.O.S.(51)81st meeting, 16 May 1951, CAB 21/1982; minutes of Chiefs of Staff Committee meeting, 16 May 1951, DEFE4/42; C.P.(51)89 (Revised Final), "Protection of the Persian Oil Fields: Report by the Joint Planning Staff," 19 May 1951, DEFE4/43; minutes of Chiefs of Staff Committee meeting, 21 May 1951, DEF4/43; R. W. Ewbank note with attached FO memorandum, C.O.S.(51)305, "Political Implications of the Use of Force in Connection with Persia," 22 May 1951, CAB 21/1982; Chiefs of Staff confidential annex to C.O.S.(51)86th meeting, 23 May 1951, DEFE4/43; minutes of Chiefs of Staff Committee meeting, C.O.S.(51)86th meeting, 23 May 1951, DEFE4/43; Chiefs of Staff confidential annex to C.O.S.(51)86th meeting, 23 May 1951, FO 371, 91537/EP1531/413; Chiefs of Staff Committee confidential annex to C.O.S.(51)87th meeting, 25 May 1951, CAB 21/1982; minutes of Chiefs of Staff Committee meeting, C.O.S.(51)88th meeting, 28 May 1951, DEFE4/43; Chiefs of Staff Committee confidential annex to C.O.S.(51)89th meeting, 30 May 1951, CAB 21/1982; Cabinet, Defence, D.O.(51)61, "Probable Military Action in Persia: Memorandum by the Chiefs of Staff," 31 May 1951, CAB 21/1982; Chiefs of Staff tel. COS(ME) 479 to commanders in chief, 6 June 1951, CAB 21/1982; Ministry of Defence, Chiefs of Staff Committee confidential annex to C.O.S.(51)102d meeting, 26 June 1951, FO 371, 91552/EP1531/777; C.P.(51)172, "Persia: Seizure of Abadan Island, Memorandum by Chiefs of Staff," 29 June 1951, CAB 21/1983; and Chiefs of Staff Committee confidential annex to C.O.S.(51)108th meeting, 29 June 1951, CAB


62Gifford tel. 5774 to State Department, 5 May 1951, RG 59, 888.2553AIOC/5-551; Gifford tel. 5850 to State Department, 9 May 1951, RG 59, 888.2553/5-951. See also Franks tel. 1361 to FO, 3 May 1951, FO 371, 91530/EP1531/264; FO tel. 1870 to British embassy, Washington, 5 May 1951, FO 371, 91530/EP1531/264; C.M.(51)35th Conclusions, 10 May 1951, CABINET 35 (51), CAB 128/19; Acheson tel. 2088 to American embassy, Tehran, 11 May 1951, RG 59, 888.2553/5-1151; Gifford tel. to State Department, 11 May 1951, FRUS, 1951 5:679; and Sir Roger Makins record of conversation, 12 May 1951, FO 371, 91535/EP1531/358.

63Funkhouser memorandum of conversation re Discussion of AIOC Problem with U.S. Oil Companies Operating in the Middle East, 14 May 1951, RG 59, 888.2553AIOC/5-1451. See also Acheson tel. 2119 to American embassy, Tehran, 16 May 1951, RG 84, Tehran Embassy, Confidential File, 523.1AIOC. The Royal Dutch Shell Company had earlier voiced similar concerns to the British government. See George Leigh-Jones (Shell) to Fergusson, with attached FO minutes, 7 May 1951, FO 371, 92050/UES15327/1; and unsigned memorandum, 7 May 1951, FO 371, 92050/UES15327/1.

888.2553AIOC/5-2451: Acheson tel. 2194 to American embassy, Tehran, 24 May 1951, RG 59, 888.2553/5-2451; and Richards dispatch 1006 transmitting Mossadegh's 25 May 1951 statement to the press, 26 May 1951, RG 59, 788.13/5-2651.

Parliamentary Debates (Commons), 5th ser., vol. 488 (1951), col. 42; M. R. Starkey (resident clerk, FO) minute, 14 May 1951, FO 371, 91534/EP1531/321. See also FO tel. 434 to British embassy, Tehran, 26 May 1951, FO 371, 91537/EP1531/408; C.M.(51)37th Conclusions, 28 May 1951, CABINET 37(51), CAB 128/19; Gifford tel. 6240 to State Department, 29 May 1951, RG 59, 888.2553AIOC/5-2951; and Office of Intelligence Research Paper, "Iran Briefs," OIR 5557.1, 31 May 1951, RG 59, 888.2553/6-151.

Shepherd tel. 547 to FO, 31 May 1951, FO 371, 91539/EP1531/472. See also Franks tel. 1653 to FO, 26 May 1951, FO 371, 91537/EP1531/420; Iranian aide-memoire to the AIOC, 30 May 1951, FO 371, 91542/EP1531/560; Acheson tel. 5563 to American embassy, London, 30 May 1951, RG 59, 888.2553/5-3151; minutes of Cabinet meeting, GEN 363/5th meeting, 1 June 1951, CAB 21/1982; FO tel. 470 to British embassy, Tehran, 2 June 1951, FO 371, 92540/EP1531/483; Shepherd dispatch 164 to FO, 3 June 1951, FO 371, 91545/EP1531/609; and Acheson memorandum for the president, 7 June 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran.

Berthoud minute, 6 June 1951, FO 371, 91551/EP1531/733; Richards dispatch 1022 to State Department, enclosing memorandum of conversation between Mossadegh, Grady, and Shepherd, 31 May 1951, RG 59, 888.2553/5-3151; Grady tel. 3027 to State Department, 29 May 1951, RG 84, Tehran Embassy, Confidential File, 523.1 AIOC. See also Grady tel. 3042 to State Department, 30 May 1951, RG 59, 888.2553AIOC/5-3051; Shepherd tel. 539 to FO, 30 May 1951, FO 371, 91531/EP1531/445; Shepherd tel. 540 to FO, 30 May 1951, FO 371, 91538/EP1531/458; Richards dispatch 1023 to State Department, transmitting memorandum of conversation between Grady and Mossadegh, 31 May 1951, RG 59, 888.2553/5-3151; minutes of Cabinet meeting, GEN 363/5th Meeting, 1 June 1951, CAB 21/1982; and Franks tel. 504 to FO, 2 June 1951, FO 371, 91540/EP1531/496.

See Grady tel. 3255 to State Department, 13 June 1951, RG 59, 888.2553AIOC/6-1351; Grady tel. 3283 to State Department, 14 June 1951, RG 59, 888.2553AIOC/6-1451; Shepherd tel. 637 to FO, 14 June 1951, FO 371, 91545/EP1531/612; Richards dispatch 1081 to State Department, including memorandum of conversation between Grady and Mossadegh, 15 June 1951, RG 59, 888.2553/6-1551; and Shepherd tel. 649 to FO, 15 June 1951, FO 371, 91546/EP1531/622.

FO tel. 549 to British embassy, Tehran, 16 June 1951, FO 371, 91548/EP1531/669. The abortive AIOC-Iranian negotiations may be followed in minutes of discussions between Drake (AIOC general manager) and members of the Mixed Parliamentary Commission and Temporary Management Commission, 12 and 13 June 1951, FO 371, 91550/EP1531/717, /721; British consul, Khorramshahr, tel. 140 to FO, 14 June 1951, FO 371, 91545/EP1531/607; Grady tel. 3266 to State Department, 14 June 1951, RG 59, 888.2553AIOC/6-1451; Gifford tel. 6597 to State Department, 15 June 1951, RG 59, 888.2553AIOC/6-1551; Shepherd tel. 639 to FO, 15 June 1951, FO 371, 91545/EP1531/611; Shepherd tels. 657 and 660 to FO, 17 June 1951, FO 371, 91546/EP1531/635, /638; and British record of 17 June 1951.

70Strang minute, 23 June 1951, FO 371, 91556/EP1531/884; Acheson tel. 6049 to American embassy, London, 22 June 1951, RG 59, 888.2553/6-2251. See also Holmes (London) tel. 6667 to State Department, 18 June 1951, RG 59, 888.2553AIROC/6-1851; Shepherd tels. 670 and 674 to FO, 19 June 1951, FO 371, 91547/EP1531/661; /663; Richards dispatch 1102 to State Department, including memorandum of conversation with George H. Middleton (counselor, British embassy, Washington), 19 June 1951, RG 59, 888.2553/6-1951; Grady tel. 3358 to State Department, 20 June 1951, RG 59, 888.2553AIROC/6-2051; Strang minute, 20 June 1951, FO 371, 91554/EP1531/827; and Furlong brief for ministerial meeting, 21 June 1951, FO 371, 91550/EP1531/724.

71Acheson tel. 6049 to American embassy, London, 22 June 1951, RG 59, 888.2553/6-2251; Steel tel. 1952 to FO, 25 June 1951, FO 371, 91551/EP1531/736. See also Grady tel. 3414 to State Department, 23 June 1951, RG 59, 888.2553/6-2351; and McGhee memorandum for Matthews, with attached memorandum re Iranian problem, 14 June 1951, RG 59, 611.41/6-1451.


74See "Draft Anti-Sabotage Bill to the Majlis," 21 June 1951, DIA, 1951, 495-96; Gifford tel. 6830 to State Department, 26 June 1951, RG 59, 888.2553AIROC/6-2651; Grady tel. 3468 to State Department, 28 June 1951, RG 59, 888.2553/6-2851; FO tel. 653 to British embassy, Tehran, 28 June 1951, FO 371, 91553/EP1531/801; Grady tel. 3497 to State Department, 29 June 1951, RG 59, 888.2553/6-2951; and Shepherd tel. 753 to FO, 29 June 1951, FO 371, 91553/EP1531/796.

75See David K. E. Bruce (Paris) tel. 7956 to State Department, 21 June 1951, RG 59, 888.2553/6-2151; Grady tel. 3419 to State Department, 23 June 1951, RG 59, 888.2553AIROC/6-2351; British consul general, Khorramshahr, tel. 166 to FO, 23 June 1951, FO 371, 91550/EP1531/702; Grady tel. 3435 to State Department, 25 June 1951, RG 59, 888.2553AIROC/6-2551; Grady tel. 3443 to State Department, 26 June 1951, RG 59, 888.2553AIROC/6-2651; Grady tel. 3460 to State Department, 27 June 1951, RG 59, 888.2553AIROC/6-2751.

76Steel tel. 1952 to FO, 25 June 1951, FO 371, 91551/EP1531/736; Berthoud minute, 21 June 1951, FO 371, 91550/EP1531/713. See also C.M.(51)45th Conclusions, 21 June 1951, CABINET 45(51), CAB 128/19; Ministry of Fuel and
Power paper, "Policy on Oil Supplies if We Have to do without Persian Oil," 22 June 1951, FO 371, 92050/UES15327/10; Grady tel. 3414 to State Department, 23 June 1951, RG 59, 888.2553/AIOC/6-2351; FO tel. 653 to British embassy, Tehran, 28 June 1951, FO 371, 91553/EP1531/801; Shepherd tel. 746 to FO, 28 June 1951, FO 371, 91553/EP1531/778; Gifford tel. 6938 to State Department, 30 June 1951, RG 59, 888.2553/AIOC/6-3051.

Grady dispatch 1159 to State Department, 29 June 1951, RG 59, 788.00/6-2951. See also Strang minute, 23 June 1951, FO 371, 91556/EP1531/884; Mossadegh message to Truman, 28 May 1951, Truman Papers, PSF-Press Release File, box 72, folder: May 1951; Grady tel. 3468 to State Department, 28 June 1951, RG 59, 888.2553/6-2851; G. M. Godley (WE) memorandum of conversation with Ambassador Bonnet, the secretary, and Mr. Merchant (PE), 28 June 1951, Papers of Dean Acheson, box 66, folder: Memoranda of Conversations, June 1951, Truman Library; and Shepherd tel. 746 to FO, 28 June 1951, FO 371, 91553/EP1531/778.


Parliamentary Debates (Commons), 5th ser. (1951), vol. 489, col. 827. The entire debate, which ran for four hours, spans cols. 746-833. See also Holmes tel. 6771 to State Department, 22 June 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East.

See Churchill to Truman, 29 June 1951, RG 59, 888.2553/7-1051; Gifford tel. 6870 to State Department, 28 June 1951, RG 59, 888.2553/6-2851; and "Notes of Meeting to Discuss Persia at House of Commons between Churchill, Eden, Chancellor of Exchequer and Minister of Defence (Salisbury unable to attend)," 28 June 1951, FO 371, 91555/EP1531/870. Churchill proposed the bipartisan meeting after Prime Minister Morrison reported to the House of Commons on 28 June that no further progress had been made on the Iranian front. See Parliamentary Debates (Commons), 5th ser. (1951), vol. 489, col. 1380.
CHAPTER IV
From Honest Broker to British Partner:
American Policy in Transition

The Iranian and British positions on the AIOC dispute grew further apart during the last half of 1951. Events made it clear that Prime Minister Mossadegh's idea of nationalization meant the AIOC's total expulsion from Iran. Throughout the summer, Mossadegh intensified his efforts to gain control of the AIOC's installations and then to sell nationalized oil on the open market, all in hopes of raising revenues that would free the Iranian masses from the chains of poverty. These efforts ran headlong into a wall of British opposition. Worried that Iran's confiscation of the AIOC might lead Egypt and other nations to take similar action against British assets, policymakers in London adopted what one official described as a campaign "aimed at bring[ing] down the Mossadegh government by a combination of economic sanctions, international pressure, intimidation, and propaganda."¹ This campaign intensified after Anglo-Iranian discussions in August failed to resolve the dispute and the United Nations refused to intervene in October. At that point, the AIOC formalized an informal boycott of Iranian oil that had begun in July, enlisting the aid of the other international petroleum companies, including the American firms who were deterred from purchasing Iranian oil by both the threat of legal action by the AIOC and by their reluctance to assist in Iran's assault against the company. In addition, the British government mounted a propaganda campaign in Iran that sought to discredit Mossadegh's government and arouse his domestic opponents.
As Anglo-Iranian tension escalated, American policy shifted dramatically. U.S. officials became more directly involved in the Iranian oil controversy, grew increasingly disillusioned with Prime Minister Mossadegh, and abandoned benevolent neutrality in favor of outright backing of the British. Mossadegh, the Americans concluded, did not understand the realities of the international oil industry or the dangers his policies posed to American interests and to Iran's long-term security. Like their British counterparts, American policymakers believed that those policies set a dangerous precedent that could undermine the sanctity of private contracts and encourage nationalization in other parts of the world. They could also wreck Iran's economy, push that country toward communism, and open the door to Soviet expansion into the Middle East. But despite these dangers, American leaders were not convinced that Mossadegh should be removed. That conviction would come later, after the crisis had dragged on for another year. At the end of 1951, however, U.S. policymakers had gone so far as to side with the British, thereby transforming what had begun as an Anglo-Iranian dispute into a trilateral conflict in which Britain and the United States were allied against Iran.

In the immediate aftermath of the failed Jackson mission of June, continued Anglo-Iranian discord on a number of important issues threatened to halt Iranian oil production entirely. One of the most serious disagreements concerned the kind of receipt to be signed by tanker captains who purchased Iranian oil. At the heart of this controversy were two important questions: Who owned Iran's oil and who would be paid for the oil loaded from the British refinery at Abadan? The Iranians wanted the receipts to acknowledge the National Iranian Oil Company (NIOC) as the legitimate owner of Iran's oil and to oblige tanker captains to pay the Iranian organization, not the AIOC, for that oil. The British, though, disputed Iran's claims
to the oil. In their eyes, moreover, pledges of payment to the NIOC would prejudice the AIOC’s position in any permanent settlement. While the two sides fruitlessly debated the issue throughout the early part of July, the AIOC, with the backing of the British government, threatened legal action against any oil company that purchased Iranian oil. The international petroleum companies, which were loath to abet the unfair treatment of one of their brethren or to encourage nationalization in other countries, took these warnings to heart. Beginning in late July they acquiesced in a British-led boycott of Iranian oil, which they saw as a legitimate defense of the AIOC’s rights. As a result, tankers by-passed Abadan for other producing countries, Iranian oil exports declined substantially, and production seemed likely to stop by the middle of the month. Although both the British and the Iranians appeared to foresee the economic consequences of a shutdown, neither seemed willing to make the compromises necessary to forestall it.2

The British and the Iranian governments also disagreed over the legitimacy of an interim ruling issued by the International Court of Justice (ICJ). In response to a British request for adjudication of the dispute, the court issued a temporary injunction that resembled the earlier U.S. proposal for a moratorium on action by either side in the oil crisis. Announced on 5 July, the injunction would freeze the oil controversy while the court debated its own jurisdiction in the case. It would prohibit the British and the Iranians from hampering oil production and would establish an international board to operate the AIOC’s Iranian holdings. The British welcomed the injunction, which recognized the British government as a legitimate party in the oil dispute, ordered the Iranians to cease their takeover of the AIOC’s operations, and offered the possibility of a settlement. They thought it might have a “useful psychological impact” on Mossadegh, encourage Iranian moderates, and line up world opinion on Britain’s side. The Iranians were less enthusiastic. They condemned the injunction as unlawful interference in their
internal affairs and as evidence that the ICJ was subservient to British interests. Insisting that the oil dispute was a matter between Iran and the AIOC, Mossadegh refused to be bound by the court's instructions.3

On the contrary, the Iranian government continued to interfere in the AIOC's operations. Iran's Temporary Managing Board, headed by Mossadegh's ally Hossein Makki, intensified its efforts to seize control of the company's day-to-day operations. It expropriated the company's records and property and ordered its workers to sign contracts with the NIOC. The British personnel at the Abadan refinery and the AIOC's field workers complained of "undignified and intolerable" conditions created by the Iranian government. They said that American policy had encouraged Iranian excesses, and they criticized the British government for not doing enough to resolve the crisis. Ambassador Shepherd wondered how long the British workers could persevere, especially as decreasing exports from Abadan rendered their jobs superfluous and left them idle in the scorching summer sun. A mass exodus, he thought, was probably inevitable.4

Indeed, the idea of withdrawing from Iran had begun to gain currency with some elements of the British government. The embassy in Tehran, along with the AIOC's on-site managers, advocated complete and immediate withdrawal as the best way to bring the Iranians to their senses and hasten the fall of Mossadegh, whom the British were now determined to remove. According to these officials, once the Iranian government discovered that it could not operate its oil industry without British assistance, it would welcome the AIOC back on terms the company could accept. Even the threat of a British withdrawal, this group argued, might make the Iranians more malleable. Cabinet members and company officials in London saw things differently. To them, withdrawal was an unacceptable admission of defeat that would spell the end of Britain's involvement in Iran: Once out, the British would never be able to return. Instead, the company should hold its position
in Iran for as long as possible. This option was favored by the Conservative party and the British public and was also in keeping with the ICJ ruling, which prohibited any action that hampered the production of Iranian oil. It was also the option that ultimately prevailed; the Cabinet and the AIOC decided in mid-July to hang on in Iran until conditions there became unbearable.\textsuperscript{5}

Concurrent with this decision was renewed discussion in London of the use of force to topple Mossadegh and to protect Britain's position in Iran. Although foreign secretary Morrison had ruled out this option in a parliamentary debate of late June, Mossadegh's continued intransigence convinced some British policymakers that military force was the only way to guarantee the safety of the AIOC's employees and to secure Britain's hold over the Abadan refinery. Defense Minister Shinwell and his allies continued to believe that a show of force would shore up British prestige in the Middle East, bring the Iranians to their senses, and hasten the fall of Mossadegh's government. Churchill and many Conservatives agreed. Despite such bipartisan support, however, the government made no final plans for military action at this time. As noted in the previous chapter, economic and strategic problems continued to discourage military intervention, as did the American conviction that force should only be used in very limited circumstances.\textsuperscript{6}

For their part, the Iranians apparently discounted threats of British intervention or withdrawal. Nor did the empty tanker berths at Abadan convince them of the serious economic consequences that would result from seizure of the AIOC's operations. Instead, Mossadegh and his advisers clung to the belief that the British were bluffing: Surely the AIOC would rather accept Iran's definition of nationalization than risk losing everything. Accordingly, the prime minister made little attempt to moderate his policies or to curtail efforts to seize the AIOC's facilities. It was only a matter of time, he maintained, before the British resigned themselves to Iran's takeover of the AIOC.\textsuperscript{7}
So far as the Americans were concerned, both Britain and Iran were "pressing their luck to the point of suicide in [a] game of Russian roulette." From Tehran, Grady excoriated Britain's "legal hairsplitting" and its periodic threats to shut down the oil industry. These tactics, he and other Americans argued, were parts of a British strategy that relied on economic pressure to destabilize a regime that was immensely popular with the Iranian people and was unlikely to be replaced by a government more amenable to British influence. Rather than replacing Mossadegh, officials in the State Department had begun to think about replacing the AIOC. Convinced that the company overestimated its chances of retaining a dominant position in Iranian oil, they were considering a multinational managing organization to take its place. But this is not to say that American leaders were uncritical of the Iranians. On the contrary, they still thought that Mossadegh had nationalized the AIOC without adequately planning for the continued production of Iranian oil. He had refused the recent offer of the Jackson mission, which the Americans considered fair, and was now proceeding with apparent disregard for how his actions might imperil Iran's security.

The security question was uppermost in the minds of American leaders and would set the stage for their decision to intervene more directly in the oil crisis. Secretary of State Acheson reiterated the dangers of a protracted Anglo-Iranian struggle at an Independence Day meeting with Ambassador Franks, W. Averell Harriman, and officials from the State Department. If an immediate solution to the dispute were not found, Acheson warned, the British might be forced either to withdraw from Iran or to undertake military operations in order to protect their position there. The first course would leave Iran's oilfields vulnerable to Soviet expansion; the second might trigger Soviet military intervention in the north; and neither would achieve Britain's objectives in Iran. Nor were these the only routes to disaster. A long-term crisis could also lead to Iran's economic collapse, foster the
spread of communism in that country, and pose a real danger to America's allies in Western Europe. After all, the nations of Western Europe received the bulk of their oil from Iran. And with the Korean War straining supplies to the limit, alternate sources would be difficult to find. To avert these potential disasters, Acheson proposed that Harriman go to Tehran to seek "some common denominator" on which Anglo-Iranian talks might be resumed. Such a mission would also buy time for "more sensible" Iranians to influence Mossadegh.10

Winning British and Iranian support for the Harriman mission was not easy. To be sure, the British saw American intervention as a key to resolving the crisis, especially because they had developed no other solutions to their dispute with Iran and were holding on from day to day. But mediation was not the sort of intervention the British had in mind. Morrison and others wanted Anglo-American solidarity behind the ICI's recent injunction, seeing this as the best way to force Iran into line with a ruling that served British interests. With this kind of thinking in the background, the British agreed to support Acheson's proposal only after the secretary instructed Harriman to emphasize the legitimacy of the court's ruling as the basis for a modus vivendi between the disputing parties.11

Thereafter, Truman formally proposed the mission in a personal message to Mossadegh. He stressed American support for the ICI's ruling and offered the services of Harriman, one of his "closest advisers" and America's "most eminent citizens," to help Iran implement it. Mossadegh's reaction was cool. He could not accept a mission designed to implement a court ruling that Iran had rejected. But he would welcome Harriman if Iran's Nine Point Law of 1 May 1951 served as the framework for further talks. This law, it will be recalled, put the nationalization principle into action: It called for the transfer of the AIOC's assets and revenues to the nascent NIOC.12

Mossadegh's insistence on the Nine Point Law illustrated the different British
and Iranian conceptions of the Harriman mission and cast doubt on its prospects for success. According to British policymakers, Mossadegh saw Harriman's mission as a way to split the Anglo-Americans apart, not as a vehicle for renewed Anglo-Iranian discussions. They worried in particular that Mossadegh would try to use Harriman's visit to win American support for additional British concessions, especially regarding the Nine Point Law, which they categorically rejected. In their opinion, it was crucial that the Americans disabuse the prime minister of these delusions, stand by the ICJ's recent ruling, and do nothing to enhance Mossadegh's political standing. Unless Harriman took this tack in his talks with the Iranians, Morrison asserted, Britain's position in Iran would be seriously compromised. But even if the Americans did take a firmly pro-British stance in their discussions with Mossadegh, British officials still doubted Harriman's chances of success. On the basis of their past experience in negotiating with the Iranian prime minister, they thought it highly unlikely that Mossadegh would conduct rational and fair discussions with Harriman. In the end, the British probably saw Harriman's mission less as a means of settling the dispute than as a means of educating the Americans to the "intransigence and unreasonableness of Mossadegh's position."13

Whitehall's concerns were uppermost in Harriman's mind when he left Washington on 13 July. Accompanied by oil expert Walter Levy, State Department petroleum adviser William Rountree, and President Truman's Air Force Aide Robert Landry, Harriman stopped first in Paris, ostensibly to collect his interpreter, but also for secret consultations with British officials, who were then attending a meeting of NATO principals. During discussions with his old friend Chancellor of the Exchequer Hugh Gaitskell, Harriman promised to maintain close contact with Ambassador Shepherd in Tehran. He also ruled out Iran's Nine Point Law as the basis of a settlement. The United States supported Iran's right to nationalize the AIOC, Harriman repeated, but it could not sanction the Nine Point Law, which was
vague, did not take account of the AIOC's legal rights, and might encourage other countries to expropriate foreign-owned companies without due regard for their rights. American officials, Harriman promised, would not push the British to go beyond the Jackson proposal, which had provided for British control over the production, distribution, and marketing of Iranian oil. This proposal, he said, was fair to both Britain and Iran. It also had the advantage of preventing the dangerous precedent of awarding Iran better financial terms than those that prevailed in other oil-producing countries. In return for American support on this score, Harriman asked the British not to jeopardize his efforts by announcing the withdrawal of the AIOC's employees or the closure of the Abadan refinery or by taking the case before the United Nations Security Council. Other Americans made similar entreaties, the British agreed, and Anglo-American harmony had been restored by the time Harriman arrived in Tehran on the fifteenth.14

Having mollified the British about the aims of his mission, Harriman then set about reaching an agreement with the Iranians. Despite Mossadegh's "cordial attitude," Harriman's initial discussions with the prime minister were "completely unfruitful." Mossadegh was "obsessed" with the idea of driving the "crafty" and "evil" British from Iran. All of Iran's ills, he asserted, could be laid at the feet of the British, who "sull[ied] everything they touch[ed]." This passionate opposition to the British was a constant element in Mossadegh's discussions with Harriman. So was the prime minister's inability to comprehend the consequences of an AIOC withdrawal. Mossadegh wrongly believed, for example, that British technicians would be willing to work for the NIOC and that American oil companies would support Iran's struggle against the AIOC. Nor was this the half of it. Even if Mossadegh could be disabused of such ideas, Harriman feared that public sentiment would prevent him from accepting any arrangement that allowed the British to retain effective control over Iran's nationalized oil industry. The challenge thus lay
in formulating a settlement that satisfied Iranian sentiment while preserving British rights, that accepted the principle of nationalization but skirted the specifics of the nationalization laws.¹⁵

To win Iranian support for such a settlement, Harriman first concentrated his efforts on cabinet officials, members of the Mixed Oil Commission, and important senators and Majlis deputies, who might then help to sway Mossadegh. After a week of such discussions, he and Levy had convinced at least some Iranian leaders that a continued shutdown of the oil industry amounted to "cutting their own throats," because other oil-producing countries would expand production to meet the Iranian shortfall. The Iranians had realized their political objectives through nationalization, Harriman asserted. Now they had to "combine reason with enthusiasm" if they were going to safeguard their oil revenues and harness them for economic development. They had to forgo any attempt to secure a financial return greater than that of other Middle Eastern oil producers, which meant accepting a fifty-fifty profit-sharing arrangement. They would also have to modify the conditions under which negotiations with the British could proceed. According to this modification, the British would only reaffirm their earlier acceptance of the Iranian law of 20 March, which endorsed the principle of nationalization, rather than acquiescing in the Nine Point Law of 1 May, which applied that principle to the AIOC's assets. This modification would allow the British to negotiate with the Iranians over how the principle of nationalization would be applied. It was a modification the commissioners agreed to accept, and was only one sign of renewed progress after Harriman's arrival in Tehran. At the same time, Ayatollah Kashani and other extremist members of the National Front agreed that discussions should resume, as did the shah, who displayed unusual resolve in ordering Mossadegh to settle the crisis immediately. Although their motives for pushing for resolution of the oil crisis cannot be determined with accuracy, it is probable that Kashani and the
shah both believed that the Americans would guide the British toward a settlement that assured Iran's rights.\textsuperscript{16}

The prime minister appeared to be coming around as well. The prospects of a permanent halt in Iran's petroleum exports made it important to resolve the dispute as soon as possible. Already, production at Abadan had fallen from eighteen million gallons per day before nationalization to around five million gallons; the refinery was producing at only 12 percent of capacity; and the last tanker had left Abadan on 3 July. These facts, and the importance the shah and Mossadegh's own advisers placed on an early settlement, convinced the prime minister to resume discussions with a mission led by a British Cabinet minister.\textsuperscript{17}

Harriman had also played a role in leading Mossadegh back to the negotiating table. As noted earlier, he had worked through other Iranian leaders to convince Mossadegh of the need for renewed negotiations. He had also developed an oddly affectionate relationship with the prime minister, whom he dubbed "Mossie," and had taken advantage of that relationship to propose the British mission. In addition, it was also Harriman who convinced Mossadegh that the only prerequisites for renewing discussions should be Britain's acceptance of the principle of nationalization as set forth in the law of 20 March and its recognition that discussions were possible only on those aspects of nationalization that affected British interests.\textsuperscript{18}

This so-called Harriman formula was a significant advance in both Iran's and Britain's position. Mossadegh had consented to base future discussions on the 20 March law rather than on the more rigid statute of 1 May and to negotiate directly with an official delegation, even though Iran still denied that the British government was a party to the oil dispute. The British had accepted Iranian nationalization as a fact and were willing to discuss how it should be put into practice. Harriman thought that his formula offered a good chance, perhaps the last chance, for a
negotiated settlement. He urged Whitehall to accept it unconditionally, as did the State Department, and was disappointed when the British raised reservations. The British did not want a repetition of what had happened to the Jackson mission, which had been confronted with outlandish Iranian demands that doomed the chances for a settlement before negotiations had gotten under way. Before the British would dispatch another mission to Tehran, they wanted the Iranians to prove their intention to negotiate in good faith. They would authorize a mission, the Cabinet decided on 26 July, only if the Iranians ceased harassing the AIOC's personnel and interfering in its operations. In exchange for the resumption of bilateral discussions, in other words, the British government expected Iran to comply with the ICJ's injunction by formally suspending the Nine Point Law and returning to the status quo ante.

It was clear to Harriman and other American officials that Iran would never accept the British position. Nor were the Americans sympathetic with a position that would foreclose the chance for Anglo-Iranian discussions. Conditions in the oilfields, they argued, should be the subject of direct negotiations, not a precondition for such negotiations. Public opinion in Iran, the Americans continued, would prevent Mossadegh from curtailing efforts by the Temporary Managing Board to implement the Nine Point Law until negotiations had resumed. Moreover, the prime minister was unlikely to accept sole responsibility for the situation in the oilfields. After all, he might argue, if Britain had complied with the terms of the Nine Point Law, the oil industry would be peacefully under Iranian control. Thus, although both the British and Iranian governments seemed amenable to renewed discussions, progress stalled over the conditions under which those discussions could begin.

To resolve the dispute, Harriman shuttled between London and Tehran in search of language that would satisfy both parties. He finally produced a
compromise that allowed the talks to proceed by papering over the serious differences that still separated the two sides. These differences, however, were temporarily overshadowed by Morrison's announcement that a British delegation, led by Lord Privy Seal Sir Richard Stokes, would arrive in Tehran on 4 August. The results at that point seemed to vindicate Truman's decision to broaden America's involvement in the oil controversy by sending Harriman to Tehran. Harriman had brought the two parties to the conference table and had agreed to remain in Tehran to facilitate their discussions. As everyone understood, however, there were numerous obstacles in the road to a favorable settlement.

Indeed, despite the high hopes surrounding the Stokes mission, it seemed doomed from the start. The nationalization issue had aroused emotions in both countries, becoming a rallying point for Iranian independence and a symbol of British prestige. The campaign for nationalization had achieved Mossadegh's goal of uniting the Iranian masses. But it had also limited his options by subjecting his every action to the close scrutiny of an emotional public that would no longer permit British domination of Iran's oil industry. Britain's Labour government faced a similar problem, as Churchill and other Conservatives continued to criticize its inept handling of the Iranian crisis. The latest attack had come in parliamentary debates on 30 July, when Churchill blasted government policymakers as "unequal to the enormous and complicated" Iranian problem and as "only liv[ing] from hand to hand and week to week" without any long-range policy. Only Harold Macmillan among the opposition appeared to deplore the use or threat of force in Iran, and his pleas for moderation failed to quell public cries for stronger action against the Iranians. Nor did Acheson's continued reminders that the United States would sanction the use of force only if needed to evacuate British citizens from Iran. With popular
sentiment in both Iran and Britain thus demanding a hard line in the negotiations, neither Stokes nor Mossadegh dared to risk potentially unpopular concessions.

In addition, Stokes's background as a prosperous businessman and staunch Labourite did not prepare him for negotiations with the wily and emotional Mossadegh. As William Roger Louis has noted, the lord privy seal sought to make Mossadegh a "'jolly good' business offer" based on normal commercial principles, which Mossadegh in the end proved unable to accept. Nor did Stokes seem capable of casting off traditional British perceptions of the Iranians as inefficient, corrupt, and dishonest. Harriman was especially disappointed in Stokes's selection, having thought Hugh Gaitskell a much better choice.26

Making matters worse, in discussions prior to Stokes's departure British officials had revealed their determination to retain effective control of Iran's oil operations--preferably through a "suitably camouflaged" AIOC but if necessary through some other means, such as an international consortium with substantial British participation. The Americans had earlier suggested such an arrangement as a means of assuaging Iranian fears that the AIOC would continue to dominate Iran's oil operations. Although the proposal had gone no further than a few general discussions, the British had now resurrected it as a way of retaining some vestige of their former control over Iranian oil. In fact, the British appeared to rest their hopes for a settlement on a revised version of the Jackson proposal, which Mossadegh had rejected in June and denounced again to Harriman in July. They were not foolish enough to resubmit Jackson's plan in toto. But they did think it possible to "dress [it] up" with appropriate "trimmings or sweetenings." In theory, this would make the old proposal more palatable to the Iranians; in practice, it doomed the Stokes negotiations from the start.27

Mossadegh also entered the negotiations with an agenda that presaged failure. Contrary to the Harriman formula, he was determined to base the discussions not
on the law of 20 March but on the implementing law of 1 May. The latter law provided for the disfranchisement of the AIOC and thus restricted the basis for Mossadegh's negotiations with the British. Because he accepted the disfranchisement of the AIOC as a fait accompli, in other words, Mossadegh would only discuss how the British might adjust to that reality. For him, the only topics for discussion were Iran's continued employment of British technicians, compensation to the AIOC, and oil sales to Britain. Although the British were no doubt willing to discuss these issues, their primary concern was guaranteeing that the AIOC be allowed to remain in Iran even though the oil industry had been nationalized, an idea that Mossadegh refused even to consider. By thus taking a narrow and inflexible position regarding the negotiations, Mossadegh helped to guarantee the Stokes mission's failure.28

In the discussions themselves, Stokes began with a series of veiled threats that were hardly calculated to assuage Iranian nationalism. Without a satisfactory settlement, he warned Mossadegh, the AIOC and other international oil companies would seek alternate sources of petroleum. To the shah he stressed the "rather frightening" power of the international oil companies, which "could kill the Persian oil business stone dead" if necessary. And in subsequent meetings with other Iranian officials, he argued that stalemate at the negotiating table meant stagnation of the oil industry and "economic suicide" for Iran. The West could do without Iranian oil, Stokes said, but the Iranians could not do without Western markets. Unless the oil crisis were solved, economic decline would lead to revolution, perhaps even to communism.29 Warnings of this sort, Stokes hoped, would help to make Mossadegh and his colleagues more amenable to British views, as would Harriman's similar efforts to educate the Iranians to the realities of the situation and Iran's failure to sell any nationalized oil on the open market.

Having set the stage with these warnings, Stokes thought that the time had
come to reveal the British proposals.\textsuperscript{30} The so-called Eight Point Proposal that he put before the Iranians on 13 August was little more than a reworked version of the ill-fated Jackson proposal. Like that proposal it encisioed a settlement that was favorable to the AIOC and that effectively retained Britain's control over Iranian oil. The Eight Point Proposal provided for transfer of the AIOC's "installations, machinery, plant and stores" to the NIOC, with compensation to be included in the operating costs of the oil industry. A British-controlled purchasing organization--basically the AIOC under a different name--would receive a twenty-five-year contract for the purchase and marketing of "very large quantities" of Iranian oil and would designate an operating agency to discover, produce, and refine that oil. Although Iran could make oil sales to companies other than the purchasing organization, these sales were not to prejudice that organization's interests. These provisions meant that British interests would receive something approximating a monopoly over the marketing of Iranian oil, a reality not concealed by terms that put the operating agency under the AIOC and required the purchasing company to share its profits equally with the Iranian government. Other provisions would reinforce the British monopoly. The Iranians, for example, would only control domestic oil operations. And though represented on the board of directors of the operating organization, representation would be arranged on terms that would not enable them to control the organization's day-to-day operations. Despite these limitations, the Foreign Office pronounced the terms "equitable" and consistent with the law of 20 March.\textsuperscript{31}

In Iran, however, the reaction was decidedly unfavorable. Mossadegh bristled at the suggestion that compensation should come from operating costs, as this would place an unfair financial burden on Iran and limit its share of oil profits. He also objected to provisions that would give a British purchasing organization what amounted to a monopoly over the marketing of Iranian oil and would allow
British managers to dominate Iranian oil operations. For the British, however, these provisions were the sine qua nons of an acceptable settlement. National pride, public opinion, Britain’s balance-of-payments needs, and the best interest of the AIOC, they said, all demanded that Britain control the worldwide distribution of Iranian oil. As Stokes repeatedly pointed out, moreover, the AIOC’s British staff in Iran almost certainly would refuse to work for any company that was not British controlled.32

The Stokes proposals satisfied Mossadegh’s opponents in the Senate, many of whom believed that the proposals fell within the guidelines of the law of 20 March. The prime minister, however, held to a different view. But rather than reject the proposals outright and thereby end the chances for a negotiated settlement, Mossadegh offered counterproposals. To dilute the purchasing organization’s monopoly, the NIOC would make individual sales contracts with the British organization and with the AIOC’s former customers based on the level of each party’s previous consumption of Iranian oil. Under this arrangement, the British organization would receive only about 40 or 50 percent of Iran’s exported oil rather than all of it. To eliminate exclusive British control over the operating agency, Mossadegh wanted this agency separated from the purchasing organization and proposed a twelve-member board of directors, composed of four Iranians and eight neutral foreigners selected with British approval, to operate the NIOC using the present British staff. And to settle the questions of compensation and profit sharing, Britain’s 50 percent of the profits would come only from the oil that it bought itself, not from all of Iran’s exported oil, and would also cover the cost of compensating the British company for nationalization of its property by the Iranian government. In this way, Mossadegh believed, defects in the British proposals would be redressed by making the net division of profits more equitable: Iran would receive all of the profits from oil sales to non-British customers and would escape the onus of paying
direct compensation to the AIOC.33

Stokes found these countermeasures unacceptable. It was unthinkable that the Iranian government should bypass the AIOC by selling oil directly on the open market. It was ludicrous to believe that a large and unwieldy board of directors could efficiently manage the AIOC's operations. And it was unfair to deny the company its just desserts in the form of profits from global oil sales or to expect that it would waive direct compensation for its lost assets. In Stokes's opinion, Mossadegh's counterproposals had been drafted with an eye to Iranian politics rather than to Britain's legitimate needs. If the prime minister accepted anything less than the Nine Point Law, according to Stokes, he risked an immediate loss of office. But he faced the same prospect if the British severed negotiations and withdrew from Iran. Caught on the horns of a dilemma, Stokes speculated, Mossadegh appeared to be playing for time, hoping that the British would give in before his political position became too tenuous.34

Further discussions between Stokes and Iranian officials belied that hope. Stokes held firmly to his proposals, which, he said, conformed to both the law of 20 March and the Harriman formula. They represented Britain's best offer, and if the Iranians were not prepared to accept them the AIOC would look elsewhere for its oil. Mossadegh, meanwhile, resigned himself to British domination of the marketing of Iranian oil but adamantly opposed British control over the oil industry's operations, even after Walter Levy explained that such control was essential to efficient operations. A British-controlled operating agency would merely revive the AIOC in a new form, said Mossadegh, and the Iranian people would never accept an arrangement in which the "servant (meaning the British) would be bigger than the master." It was clear to Mossadegh and other Iranian nationalists that, as a former official in the Foreign Office recalled years later, "in return for recognising the principle of nationalisation," the British government
believed that "the Persian government should forego its insistence on that principle."³⁵

Harriman had privately endorsed Stokes's proposals but had avoided a public affirmation lest it appear that Britain and the United States were ganging up on Iran.³⁶ In an effort to salvage the negotiations, however, Harriman now decided to throw his influence squarely behind the British, resorting to the same threats and economic leverage that they had used earlier. In a meeting with Stokes and Mossadegh on 19 August, Harriman endorsed Stokes's proposals as a "good basis" for a settlement that conformed to the formula he had earlier helped to negotiate. The provisions for the purchasing and operating organizations, Harriman said, did not aim to revive the AIOC in "disguise," but to provide the necessary infrastructure for the production and marketing of Iranian oil on the world market. Rejection of the proposals, he warned, would lead to further misery for the Iranian people and would have an adverse effect on world opinion, especially opinion in the United States, where policymakers were reluctant to increase economic assistance to Iran unless it first showed a willingness to help itself. If Iran were not to be left to its own devices, Harriman explained, it had to negotiate along the lines set forth in the Stokes proposals.³⁷

Harriman's position delighted the British, who had long been calling for Anglo-American solidarity in Iran, but failed to have any effect on the negotiations. Mossadegh still opposed British control over the oil industry's operations. Instead of placing the industry in the hands of a British operating organization, he proposed that some twenty British section heads, responsible to the NIOC's board of directors, be given day-to-day control of the industry. Stokes complained that "no responsible person" would work under such an arrangement, formally withdrew his proposals on 22 August, and announced his intention to suspend the negotiations. Mossadegh, he lamented, was not prepared to accept conditions that would allow
British managers and technicians to remain on the job. Harriman joined Stokes in laying the mission's failure at Mossadegh's feet. The prime minister, Harriman asserted, was living in a "dream world" where "the simple passage of legislation nationalizing [the] oil industry creates [a] profitable business." He did not understand the realities of the international oil industry or the dangers his policies posed to American interests and Iran's long-term security. His hopes that U.S. companies would step in to produce or sell nationalized Iranian oil were misplaced, as was his belief that Iranian oil was irreplaceable. If Mossadegh did not confront reality, Harriman repeated, the Iranian people would face certain misery and Iran would lose international support, especially in the United States. After eleventh-hour appeals to Mossadegh proved ineffectual, Stokes suspended the negotiations and left Tehran on 23 August. Harriman departed the following day.38

Despite his failure to mediate a settlement, Harriman believed that he and Stokes had made some progress in educating Mossadegh to the realities of the global petroleum trade and that future progress might therefore be possible. In hindsight, however, what seems most important was the emergence of a common British and American approach to the Iranian problem. Made possible to some extent by British willingness to accept nationalization in principle, Anglo-American unity was further encouraged by other factors as well. Both nations agreed on the importance of keeping Iran allied to the West, in part because of its plentiful oil supplies, in part because of its strategic location as gateway to the Persian Gulf. They were also united in believing that the implications of any Iranian settlement would extend beyond the borders of Iran and affect international agreements everywhere. They were even moving toward a common assessment of Mossadegh as a destabilizing influence in Iran, with whom a negotiated settlement to the oil crisis was all but impossible. For the British, the conclusions were welcome developments that signaled Washington's greater involvement in the Iranian crisis and closer
Anglo-American cooperation in the future.39

iv

In the meantime, the British escalated the campaign of economic and political pressure they had earlier launched against Mossadegh in an effort to "let the Persians stew" while the implications of Stokes's withdrawal sunk in. The government and the AIOC, which had from the first doubted Mossadegh's desire to reach a settlement with Stokes, moved to implement the contingency plans they had made for his mission's eventual failure.40 The AIOC further trimmed its British workforce, withdrawing its remaining field personnel and reducing the refinery staff to about 350. It also halted payments to most of its Iranian workers as of 30 September and renewed its threats of legal action against would-be purchasers of Iranian oil. The major American oil companies were anxious to go along with the boycott, because they understood the importance of maintaining solidarity with the AIOC. The State Department also acquiesced, no doubt in an effort to avoid costly and potentially damaging lawsuits against U.S. companies and to preserve a united front with the British. In addition, the British government imposed a ban on the export to Iran of such scarce commodities as sugar and steel and denied Iran its former right freely to convert sterling into dollars.41 It also stepped up its anti-Mossadegh propaganda in Iran in hopes that opposition elements would see the folly of Mossadegh's policies and come out publicly against the government. Finally, it beefed up British naval operations in the Persian Gulf in an effort militarily to intimidate the Iranian government.42 Taken together, these measures were part of a British strategy designed to force Mossadegh's acquiescence in British demands or to replace his regime with one more amenable to British policy.

At the same time, American policymakers began laying plans to cope with the collapse of the Iranian oil industry. In July the Petroleum Administration for
Defense (PAD), the agency responsible for managing U.S. oil supplies during the Korean War, had formed a Foreign Petroleum Supply Committee consisting of nineteen of the nation's oil companies. The committee quickly formulated what became known as Plan of Action No. 1, the heart of which was a call for cooperation between the nineteen companies in an effort to replace the 660,000 barrels of oil per day formerly supplied by Iran. This amounted to one third of total Middle Eastern production and one quarter of all refined products outside of the Western Hemisphere. To offset the loss of this oil, the parties to Plan of Action No. 1 increased production and refining in other countries, realigned imports and exports, and allocated markets. Under other circumstances, these activities might have been construed as a restraint of trade. But because industry cooperation was deemed necessary for national security, the companies involved were granted immunity from antitrust prosecution under Section 708 of the Defense Production Act of 1950. Plan of Action No. 1 remained in effect until early July 1952. According to PAD head Oscar L. Chapman, it helped to avoid "deperate supply dislocations" and to increase free-world petroleum production by 750,000 barrels per day.

The PAD and its Foreign Petroleum Supply Committee demonstrated the pattern of corporative collaboration that had developed between the U.S. government and the American oil companies. Industry officials provided the State Department and other agencies with invaluable assistance in dealing with the worldwide shortages caused by the Korean War. They were also instrumental in advising the government on how best to deal with the loss of Iranian oil that resulted from the AIOC's boycott. And by finding alternatives to Iranian oil, they assisted Anglo-American efforts to convince Mossadegh that his country's resources were not irreplaceable. In this way, the American oil companies were accomplices in what amounted to Anglo-American sanctions against Iran: By ensuring that the consequences of the shutdown of the Iranian oil industry ran only one way, against
Iran, Britain and the United States were trying to induce him to adopt a more reasonable negotiating posture.45

If the Anglo-Americans had hoped to use the boycott of Iranian oil to coerce Mossadegh into making concessions, they succeeded only in forcing his hand. Driven to the point of desperation, Mossadegh rallied the Iranian public to his side by blaming the breakdown of the Stokes talks on the AIOC's attempt to repackage old wine in new bottles. Stokes's proposals, he asserted on 5 September, contradicted the nationalization laws and were unacceptable; if the British did not submit others within two weeks, he would cancel the residence permits of the AIOC's remaining British employees. This was necessary, Mossadegh said, because as long as British workers remained other companies would doubt the authenticity of Iran's nationalization and would refuse to purchase its oil, further damaging its failing economy. The prime minister repeated these sentiments in subsequent addresses to the Majlis and in radio speeches to the Iranian people. His remarks confirmed the British in their view that Mossadegh failed to grasp the seriousness of the situation and thus represented a real "danger to his country." They also appeared to vindicate a British decision to break off the Anglo-Iranian negotiations, which earlier had been simply suspended.46

Mossadegh's new offensive against the British was designed to do more than rejuvenate Iran's ailing economy. It was also an effort to protect his own political position at a time when the National Front was bitterly divided, when personal jealousies threatened a tenuous coalition built only on nationalization, and when the prime minister confronted an amorphous yet visible domestic opposition that had developed in response to the failure of the Stokes mission. Baqai, Makki, and other members of the National Front had openly criticized Mossadegh's son-in-law, Ahmad Matin-Daftari, whom they accused of being a British-groomed successor to the prime minister. Kashani and other extremists had also entered the fray,
providing ammunition for Mossadegh's opponents, who relished any opportunity to discredit the government. The prime minister's opponents did not constitute an organized force. Nor did they have specific goals, other than publicizing their dissatisfaction with Mossadegh's conduct. Some senators and Majlis deputies, along with a portion of the more educated populace, denounced the failure of the nationalization campaign and decried the hardships ahead if that campaign were continued. Others chastized the government for neglecting such issues as administrative and land reform while single-mindedly pursuing nationalization. Anglophiles expressed outrage at Iran's worsening relations with the British government. By late August, opposition deputies had repeatedly denied Mossadegh a quorum in the Majlis. And by early September, as Ambassador Shepherd reported, their movement was "not only gaining ground" but "also gaining respectability."47

To counter the opposition's charges that he was making no progress on the oil question, Mossadegh seemed to retreat from his earlier insistence on the immediate withdrawal of the AIOC's British staff. He first temporized on the expulsion order, saying he would give the British additional time to formulate new proposals. Then he introduced his own program and asked Harriman to deliver it to London on behalf of the Iranian government. Far from being a new advance, however, the prime minister's scheme was a retread of what he had already proposed to Stokes. It failed to "conform to practical and commercial aspects of the international oil industry"; was in some respects a "regression" from Iran's previous position; took a militant stand on the expulsion of the British employees from Iran; and would not contribute to a negotiated settlement.48 These were the views of American officials in Washington and Tehran. They were shared by Harriman and explain why he refused to present Mossadegh's plan in London. Left to his own devices, Mossadegh submitted his proposal, minus the expulsion order, in an unsigned, undated
memorandum to Ambassador Shepherd on 19 September. The British viewed the proposal as a rehash of the prime minister's earlier pronouncements and rejected it three days later, convinced that Mossadegh meant the proposal not as a basis for renewed discussions but as a device for disarming his critics in the Majlis. With no other alternative apparent, Mossadegh ordered all of the AIOC's employees to leave Iran by 4 October.49

Mossadegh's order shocked policymakers in London, who immediately sought American intervention. It was one thing, they said, for the British willingly to scale back their Iranian operations by withdrawing their personnel; it was another for Mossadegh to order the staff out of the country. If enforced, Attlee explained in a personal message to the president, the order would be an affront to the ICJ ruling, a serious defeat for Britain, and a blow to Western prestige throughout the Middle East. By making a negotiated settlement of the oil crisis all but impossible, it would also endanger Western access to Iranian oil, lead to economic chaos in Iran, and hamper efforts to contain communism in that country and throughout the Middle East. None of these arguments was new to the Americans, who had been making them for some time. What was new was Britain's plan for averting disaster in Iran: decisive action by the shah to remove Mossadegh from office. The British believed that the shah would take such a course if assured of American support, and in late September they launched a campaign to win that support.50

These efforts came to naught. Although American officials doubted the likelihood of a negotiated settlement with Mossadegh, they were not yet ready to work for his removal, even alongside the shah and the British. To begin with, officials in the State Department disputed the British contention that the shah was ready to dismiss Mossadegh. On the contrary, they argued, the shah appreciated the constitutional limits on his power. He also understood Mossadegh's enormous popular support and realized, as did the Americans, that any effort to remove him
would surely ignite substantial opposition. Unlike the British, moreover, the Americans saw Iranian nationalism as a deep-seated drive for national autonomy that might be aggravated by Mossadegh’s removal and was not dependent on the personal fortunes of a single individual in any event. Under these circumstances, they concluded, Anglo-American efforts were better channeled into propping up the shah as a viable political force that could ensure Iranian stability.\(^{51}\)

In addition to nixing British plans to collaborate with the shah to overthrow Mossadegh, American policymakers also remained unwilling to sanction Britain’s use of force in Iran, either to destabilize Mossadegh or to safeguard the AIOC’s position. In mid-September, Acheson reiterated the earlier American prohibition against military action except to protect British lives. Truman later made the same point in a personal message to Attlee. At a meeting on 27 September the British Cabinet also ruled out the use of force to maintain the British position at Abadan, in part because the odds against success were staggering, in part because the British "could not afford to break with the United States on an issue of this kind."\(^{52}\)

The Cabinet’s decision involved political risks to the Labour party, which expected a stiff Conservative challenge in the general election scheduled for 25 October. As the government recognized, its handling of the crisis in Iran threatened to become a major issue in the campaign, despite its efforts to declare all controversial subjects off-limits and to win bipartisan support for its policies. Conservative criticism of Labour’s Iranian policy, muted while there was still hope of a favorable settlement, was sure to intensify once it became known that Labour had abandoned force as an option. Churchill and others would certainly claim that Labour had reneged on the promises it had made earlier in Parliament to defend Abadan, accuse the government of being weak and indecisive, and promise to do a better job of protecting Britain’s interests worldwide.\(^{53}\)

To meet these charges, and to show other nations that Britain could not be
kicked around, the Labour government announced on 29 September that it would take the Anglo-Iranian controversy to the United Nations Security Council. That body, it was hoped, would force Iran's compliance with the ICJ's interim injunction and forestall the expulsion of the AIOC's technicians. The British announcement did not please American policymakers. Appealing to the Security Council, they feared, would strengthen Mossadegh's domestic position, win Iran international support, and doom all remaining chances for a negotiated settlement. In addition, it was unlikely that Iran would comply with a resolution on Britain's behalf or that a majority of the Security Council would support such a resolution. Furthermore, the Soviet Union would surely veto a resolution aimed against Iran in order to enhance its standing throughout the Third World as the defender of small nations against Western imperialism. For these and other reasons, the Americans considered Britain's appeal to the Security Council a serious blunder that called into question the Labour government's understanding of the larger ramifications of the Iranian crisis. They grew even more apprehensive when Mossadegh, in a brilliant move that temporarily halted opposition activities in Iran, announced that he would address the Security Council himself.

For their part, the British discounted American concerns. They saw an appeal to the Security Council as a last-ditch effort to salvage their position in Iran, as well as their global reputation. Having abandoned the use of force, they said, the Labour government had no choice but to appeal to the rule of law and to proceed with this appeal even in the face of tremendous odds. They cleared the first hurdle when the council voted on 1 October to place the case on its agenda. Their next challenge would come when floor debate began in mid-October. In the meantime, the AIOC decided to withdraw from Abadan on 3 October in what was then described as Britain's "Middle East Dunkirk." This decision dashed hopes that speedy action by the Security Council would counteract Mossadegh's expulsion order. But it did
not lead the British government to reconsider its recourse to the council. After extended discussions with the Americans, the British decided to seek a resolution that would declare the Anglo-Iranian dispute a threat to international peace and call for renewed discussions between the two countries.

Lingering American doubts about the wisdom of appealing to the Security Council made acceptance of this new course doubtful. But more important than these concerns were worries that a row with Great Britain on this issue would have serious repercussions on the Anglo-American relationship. In one "tirade," foreign secretary Morrison had already complained of "being lectured by the United States" and of receiving only "20 percent" cooperation from the Americans when he expected "100 percent." The lack of U.S. support was especially troubling in light of the upcoming election, which had, after all, prompted Morrison's appeal to the Security Council in the first place. Morrison even mused that perhaps the United States was trying to sabotage Labour's chances for reelection. Anxious to dispel these suspicions, U.S. policymakers agreed that the British should "call the shots" in the Security Council while they provided loyal support. Privately, however, they expected the worst.59

The Security Council debate on the Iranian case was everything the Americans had feared it would be. In a two-day speech, Mossadegh eloquently reviewed the dispute and elaborated Iran's long-standing grievances against the AIOC. He painted the dispute as one between a great imperial power and its hapless victim, a dispute that amounted to a David and Goliath pairing, and he denounced the Security Council's interference in what he said was an internal Iranian affair. Sir Gladwyn Jebb presented the British position. By comparison with Mossadegh's impassioned plea, Jebb's references to the rule of law and the sanctity of contracts sounded hollow, even to the Americans, who believed in Jebb's arguments but considered them ineffectual. Indeed, only the United States and Brazil supported
Britain's contention that the oil crisis threatened world peace. The Soviet Union, Ecuador, China, and Yugoslavia disagreed while France, the Netherlands, India, and Turkey were uncommitted. Clearly the British could not secure the seven votes needed to pass the resolution they had in mind. As a result, they decided instead to table their resolution until the ICJ had ruled on its own competence in the oil dispute.60

The outcome in the Security Council was a defeat for Britain in the eyes of the world and also embarrassed the Labour government at home. On 25 October, Churchill and the Conservatives defeated the Labour party by a margin of 26 parliamentary seats, securing 321 seats to Labour's 295. Anthony Eden became the new foreign secretary, "a great and signal improvement [over Morrison], except on Iran," as Dean Acheson recalled years later. So far as Iran was concerned, Acheson eventually came to believe that Eden and his colleagues were "out of touch with the world of 1951." They were taking advice from the same individuals who had "poisoned" the judgment of the Labour party and had "allowed the [British] government to follow the AIOC meekly into disaster." Acheson may also have been concerned about the jingoism that had characterized the Conservative party's election platform. The secretary had repeatedly warned the Labour government of the dangers of a bellicose policy in Iran and was no doubt worried that Churchill's government would not be so easy to convince.61

Initially, however, Acheson hoped that the Conservative government would launch a new initiative in the Iranian crisis. He urged the British to take advantage of Mossadegh's presence in Washington, where the prime minister had traveled following the Security Council debate, in order to reopen negotiations with the Iranians. The British did allow the Americans to sound out Mossadegh on the renewal of discussions, not in hopes of negotiating a settlement, however, but because they saw the Washington talks as an opportunity to involve the Americans
more deeply in the crisis. And as we will see, the Washington talks did result in more direct American involvement in the oil dispute and helped to move the United States closer toward the British position.

Mossadegh's visit to Washington was the last in a series of recent steps by which the State Department had tried to mediate a solution to the Anglo-Iranian crisis. The department had initiated preliminary discussions with Mossadegh even before the Security Council had convened to debate Britain's resolution. Conducted by George McGhee, these were fact-finding talks and were not intended to produce concrete proposals. Instead, the State Department merely sought some sense of where the prime minister stood on the three issues he had earlier been willing to discuss with Stokes—compensation to the AIOC, arrangements for the sale of oil to the British, and the NIOC's employment of British technicians. The goal was to change Mossadegh's mind about refusing to "come to any agreement with either the British government or the AIOC." McGhee also tried to educate Mossadegh to the realities of the international petroleum industry, to convince him that no settlement to the oil question was possible that flew in the face of normal commercial principles or that gave Iran better terms than those in force elsewhere.62

By the time Mossadegh appeared before the Security Council on 15 October, McGhee had made some progress. Mossadegh would permit a purchasing organization to act as a broker for the AIOC's former customers if they so chose, but only for a period of ten years. He would also allow British technicians to work in Iran on a fee basis and would exempt the Abadan refinery from nationalization if it were operated by a neutral agency. To McGhee, these were significant concessions that gave hope of Mossadegh's eventual agreement to some kind of direct British involvement in the oil industry. They also suggested that Mossadegh
might finally be willing to accept a commercially sound settlement.63

If McGhee had made progress in certain areas, however, he had less luck on the compensation question. Mossadegh refused to discuss specific arrangements for determining the amount of compensation or to accept the idea that compensation might involve more than the stated book value of the AIOC's Iranian assets. In fact, at times he wondered why Iran should have to pay compensation at all; its oil-producing neighbors, he argued, had not done so. McGhee's assertions that other countries had not seized foreign-owned installations failed to shake Mossadegh's resolve. Nor did reminders that other nations were replacing Iran in world oil markets. With discussions on compensation stalled, McGhee knew that a satisfactory settlement was a long way off.64

Much of what McGhee told Mossadegh echoed the sentiments of U.S. oil executives. The State Department had held regular meetings with representatives of the major American oil companies throughout the Iranian crisis, relying on industry experts for guidance and advice and enlisting their cooperation with government policy. In discussions held during September and October, representatives of the American majors warned of the dangerous precedent that would be set if Mossadegh were given terms better than those prevailing in other oil-producing countries. This might threaten U.S. investments worldwide, not only in oil but also in other commodities. It might also damage American prestige throughout the Middle East by creating the impression that the United States could be blackmailed and manipulated. It was better to lose Iran entirely, the assembled executives believed, than to establish a dangerous precedent, and for this reason they were "100% behind the British" position on limiting concessions to Mossadegh. McGhee and other officials conceded the importance of preserving the sanctity of international contracts. But they hoped to do so without driving Iran into the arms of the Soviet Union. Iran's "proximity" to the Soviet Union and its "strategic
location with respect to the Middle East as a whole," Harriman explained, dictated "special" treatment that would not be necessary if Iran were located "at the tip of South America." In other words, it was important to go some distance to accommodate Iran's aspirations and desires in order to preserve its Western orientation, even if British oil interests had to suffer in the process. Guided by this hierarchy of objectives, the State Department had therefore declined to throw its weight totally behind the British for fear of alienating the Iranians.65

The State Department's strategy was somewhat at odds with thinking among the Joint Chiefs of Staff. Assessing "The Anglo-Iranian Problem" in NSC 117, the JCS warned of the strategic consequences that would follow the loss of Iran to the Soviet Union. These included a decrease in the West's ability to fight a protracted war with the Soviets, forced augmentation of Western military establishments, and expansion of Soviet military bases in the Middle East. Avoiding these consequences was more important to the JCS than protecting what remained of Britain's stake in the Iranian oil market. "Strictly from the United States military point of view," as the JCS explained, "Iran's orientation towards the United States in peacetime and maintenance of the British position in the Middle East now transcend in importance the desirability of supporting British oil interests in Iran." What military planners did not understand was that "British oil interests in Iran" were a major component of "the British position in the Middle East." For the JCS, the two seemed exclusive, while in truth, as officials in the State Department and the major oil companies recognized, they were interdependent: If the first were lost, the second would be lost as well. Accordingly, policymakers in the State Department overruled the military planners and continued to work for a solution to the oil crisis that would preserve both Britain's Iranian oil interests and its position throughout the Middle East.66

With this goal in mind, McGhee, Acheson, and other American officials continued discussions with Mossadegh after the close of debate on the Iranian case
before the Security Council. Mossadegh reaffirmed the agreements he and McGhee had reached in New York regarding the brokerage powers of the purchasing organization and the arrangements for efficient management of the oil industry. The prime minister also confirmed his belief that a neutral company should own and operate the Abadan refinery after paying appropriate compensation to the AIOC. All of the company's other properties would be transferred to the NIOC. With regard to compensation, Mossadegh believed that in the end Iran's claims against the AIOC for nonpayment of royalties and import duties on personal items would offset the claims of the company itself. As a result, no direct payments would need to be made by either side. Tentative agreement on these questions gave the State Department hope that a settlement might be possible.  

The prime minister's stand on other issues indicated otherwise. For one thing, Mossadegh withdrew his earlier promise that British technicians could return to Iran. Consultation with his advisers, he said, had convinced him that the Iranian people would never accept a return of the British. More problematic was his stand on the price of Iranian oil. Although Mossadegh apparently agreed that Iran would utilize an outside agency to market and distribute its oil, his asking price would preclude any company from taking on those responsibilities. Specifically, the prime minister wanted the price at which Iran sold oil to the distributing agency to equal the price that that agency charged retailers. This was about $1.75 per barrel, at a time when Saudi Arabian oil sold for 88¢ per barrel and Kuwaiti oil for about $1.09 per barrel. At $1.75 per barrel, as McGhee and other American officials tried to point out, Iranian oil would not be competitive in world markets; distributors would seek cheaper oil elsewhere. Under these circumstances, they said a price of $1.10 per barrel would be more realistic. Nevertheless, the prime minister remained firm: Iran would leave its oil in the ground before it would accept less than $1.75 per barrel.
Mossadegh's insistence on a price of $1.75 per barrel was probably a bargaining ploy. The prime minister surely understood that a distributing organization would not work for free and must have known that Iran would never receive $1.75 per barrel for its oil. But he must also have known that insisting upon such a price gave Iran a better chance of improving upon the $1.10 per barrel suggested by the Americans. Unwilling to tip his hand in discussions with McGhee, Mossadegh argued instead that it was "not the amount of revenue but the price that counted." To the Americans, this statement was another example of the twisted logic that governed Mossadegh's approach to the oil controversy. He had supposedly nationalized the oil industry to improve the lot of the Iranian people but was pursuing a course that could only end in failure. In truth, however, Mossadegh's position signified his conviction that more was at stake than a commercial settlement. Involved was Iran's right to control its own resources. Unless the British and the Americans grasped this point, the chances for a negotiated settlement were slim indeed.69

Despite the impasse on the price of Iranian oil, by the end of October Mossadegh and the Americans had formulated a proposed settlement for the Anglo-Iranian dispute. Acheson, Harriman, and other U.S. officials intended to discuss this proposal, which covered such questions as the status of Abadan, compensation, management, and sales, with the British at a NATO meeting in Paris. At the heart of the American proposal was the sale of the Abadan refinery to a neutral, preferably Dutch, concern, which was assumed to mean Royal Dutch Shell. This firm would operate the refinery on a cost-plus basis on behalf of the NIOC and would pay appropriate compensation to the AIOC, thereby relieving Iran of the burden of paying for the refinery while ensuring that it was run efficiently. All of the AIOC's other properties would be transferred to Iranian ownership, but Iran's claims against the company would render direct compensation unnecessary. The
refinery operator would guarantee the NIOC access to the latest technology and would employ foreign, non-British technicians on an individual basis, but only until trained Iranians could take their places. A purchasing organization, to be established by the AIOC, would "buy, ship and market" both crude oil and refined products for a period of fifteen years. It would act on behalf of the AIOC's former customers when desired and would purchase at least thirty million tons of oil per year "at prices sufficiently low to enable it to compete successfully in world oil trade and to assure that Iran remains competitive with alternative sources of supply."70

As the Americans noted, the last provision remained a potential stumbling block to a satisfactory settlement. No amount of cajoling had convinced Mossadegh to abandon his demand for $1.75 per barrel for Iranian oil, a demand that American officials could not concede. Yielding to Mossadegh on this point would make nationalization appear more lucrative than honoring contracts and would thus imperil concessionary agreements everywhere. By driving prospective buyers from Iran, it would also remove that country from world petroleum markets and virtually guarantee its economic ruin. American policymakers could not accept these eventualities, which explains their zeal to reach a settlement before the situation had "deteriorated beyond recovery." So long as agreement could be reached on all of the other points, they told the British, it was possible that Mossadegh might "come down" on the price. This was probably the last chance of settling the oil crisis, they asserted, and the security of the non-Communist world depended on careful British consideration of the American proposals.71

The State Department was sorely disappointed when Eden initially dismissed the proposals as "totally unacceptable." He and other British officials considered the proposals commercially unsatisfactory to the oil companies. Shell would not run the Abadan refinery unless it could purchase some of the oil it refined, especially if this task drew staff from its operations elsewhere. Nor would the AIOC yield
production control to another company or contract with an outside refiner that could charge what it wished for its services. In addition, the British government resisted efforts to surrender control of the oil operations to the Iranians, as this would rob the exchequer of much-needed tax revenues. It also considered the compensation arrangements totally inadequate: It was unthinkable that the AIOC would sell Abadan, which alone was worth at least £250 million, for what was sure to be a nominal sum, or that it would allow Iran "to make fictitious counter-claims to justify what was virtually a confiscation." Finally, the British scoffed at the American belief that Iranian oil might be sold for $1.10 per barrel, which according to their calculations meant a profit for Iran of $.85 per barrel. Besides disrupting other international oil agreements, selling Iranian oil for $1.10 per barrel would also fail to satisfy Britain's balance of payments requirements. A far more reasonable figure, they said, was something in the neighborhood of $.87 per barrel.72

Perhaps more important, the British raised political and diplomatic objections to the American proposals. The new Conservative government could hardly expect to win domestic support for a settlement that smacked of "appeasement" after it had lambasted its predecessor for weakness in Iran. Nor could it allow such a settlement to challenge Britain's international prestige. Eden and others feared a domino effect: If Iran appeared to prosper at Britain's expense, other nations would follow its lead, with "catastrophic" results for Britain's "credit and standing throughout the world." British officials were particularly worried lest Iran's assault on the AIOC inspire Egypt to take similar action against the Suez Canal or the British base astride it. "Oil is important," the British implied, "but [our] position in the Middle East is vital." For this reason, both the British government and the AIOC preferred to sacrifice Iranian oil rather than to accept an agreement based on the American proposals.73

In rejecting the American proposals the British revealed their own desiderata
for an acceptable settlement. Iran had fairly to compensate the AIOC for the loss of its assets and operate the oil industry efficiently enough to ensure the payment of compensation. It could not, as a result of its "unilateral expropriation" of the AIOC, expect to receive better terms than nations that "respected their contracts." Nor could it exclude British firms from its oil industry, because this would set a dangerous precedent that other countries might follow. The first three requirements, according to the State Department, could easily be met. The last request was next to impossible, given the anti-British hysteria in Iran, but also the most important to the British. More than anything else, Acheson explained to his colleagues on 10 November, the British feared the loss of their earnings on investments around the world, the security of which depended on "confidence in British power and in the pound." If the government in London acquiesced in a settlement that rewarded Mossadegh for expropriating British property or discriminated against British interests, other nations would follow Iran's lead and Britain would soon have no international properties at all. To prevent such an eventuality, the British had adopted a hard-line stance against the Mossadegh regime and had refused to renew bilateral discussions.74

Rather than resume talks with the Iranians, the British believed that the best solution to the crisis was direct American entry into the Iranian oil industry. In other words, Eden and his colleagues seemed to believe that they could purchase American support in Iran by offering the American oil companies a share of Iranian oil. Specifically, they envisioned a multinational consortium, presumably an Anglo-Dutch-American group, that would take over the AIOC's Iranian operations.75 American participation would dilute the power of the AIOC, they argued, and thus assuage Iranian fears of British domination. It would also satisfy requirements for efficient operations, allow the AIOC to remain in Iran, if only as a member of the consortium, and convince the Iranians of the inviolability of the Anglo-American
alliance. After all, Eden and others argued, Great Britain and the United States "were partners in the whole of the Middle East and [Iran] should be no exception." The Americans, however, demurred. Among the practical and political problems with the idea were the unfavorable press such a move would receive both in Iran and in Great Britain and the unlikelihood that U.S. oil companies, which had access to adequate reserves elsewhere, would be inclined to participate. Although the State Department would change its mind within a few years, in 1951 it did not yet see the need for American participation in Iranian oil. With the United States thus opposed to Eden's only firm proposal, Acheson sadly admitted that Mossadegh would have to return to Tehran empty handed.\textsuperscript{76}

Although McGhee and Mossadegh had continued their discussions while the British government debated the merits of the American proposals, their talks yielded no solutions. Mossadegh rejected a number of options that would have provided for international operation of the Iranian oil industry, such as the Anglo-Dutch-American consortium proposed by the British. Nor would he allow British technicians to return to Iran or accept less than $1.75 per barrel for Iranian oil, which McGhee described as the provisions most sought after by the British. Iran, Mossadegh said, would do without oil revenues rather than substitute one foreign master for another or accept an agreement he deemed unfair. As Vernon Walters explained, Mossadegh thought he would be better off returning to Iran without a settlement than returning with one he had to "sell to [his] fanatics." To be sure, such a course might result in the complete collapse of the Iranian economy. But this was a calamity Mossadegh still hoped to avoid through additional loans from the United States. He discussed the possibility of such assistance with American policymakers prior to his departure for Iran on 17 November. He also discussed with officials of the International Bank for Reconstruction and Development (IBRD) a scheme whereby that institution would run the Iranian oil industry while Britain and Iran
worked out a permanent settlement. 77

Mossadegh's intransigent attitude during discussions with McGhee dimmed British hopes that the oil crisis could be resolved through discussions with him. On the contrary, they sought his removal by stepping up their antigovernment propaganda in Iran and their campaign of economic pressure, including solidification of the boycott of Iranian oil through government threats to prosecute any company that transported "stolen" oil from Iran. For their part, American oil companies were anxious to support the AIOC's boycott, which they continued to see as a legitimate defense of the company's rights. The American government, or so the British believed, was also more likely than before to support their policies. After all, American officials had seen firsthand how intransigent and unreasonable Mossadegh could be. They had also come to appreciate that British requirements for an acceptable settlement were both commercial and psychological. As a result, British and American assessments of the situation had begun to coincide in November and December, just as Mossadegh was becoming increasingly anxious to resume oil exports. Efforts to solve the oil crisis during this period focused not on long-term solutions but on temporary measures that would shore up the ailing Iranian economy. And even these measures were unsuccessful.

Deprived of oil revenues, which had previously provided 40 percent of its income, the Iranian government was fast approaching a financial crisis. Facing a monthly budget deficit of 150 million rials, it was unable to meet its own payroll, not to mention the salaries of seventy thousand idle oil workers, which amounted to another 140 million. Nor could the government sustain the monthly expenditures of more than 100 million rials required to support the Seven Year Plan. As the U.S. embassy noted in October and November, Mossadegh's administration had not been
able to ease these financial pressures through a program of government economies or by drawing on sterling balances that had previously been used to support Iran's currency. Without an immediate resolution of the oil crisis, Ambassador Henderson feared, the Iranian economy would collapse.  

As Iran's economy deteriorated, political conditions grew worse. Opposition forces abandoned the political truce they had declared when Mossadegh left for the United States, launching an antigovernment campaign that threatened to destabilize the country. The shrinking prospects for a negotiated settlement with the British, made less likely by Churchill's victory in the British elections, spurred opposition elements, who decried Mossadegh's lack of leadership and sought his removal in elections for the Seventeenth Majlis that were scheduled for the fall. The opposition's reemergence heartened the British embassy in Tehran, of course, where analysts argued that Mossadegh would surely be ousted and that the British would be able to negotiate a favorable settlement with his successor. To help move events in this direction, the British continued their antigovernment propaganda campaign in hopes of shoring up the nascent opposition. They also tried to convince the shah that Mossadegh had to be replaced.

American policymakers were less sanguine. They worried that mounting political instability and worsening economic conditions in Iran would pave the way to victory for the Tudeh party, which in turn would open the door to Soviet expansion into the Middle East. Instead of following the British lead and waiting for an economic crisis to topple Mossadegh, they thought the United States had no choice but to provide Iran with economic assistance. Although the State Department still hoped that a negotiated settlement to the oil crisis would render such aid unnecessary, it was prepared to offer financial assistance if Iran began drifting toward communism. Acheson tried to assure the British that American aid would bolster the Iranian economy, not Mossadegh's regime. It would be limited,
he said, and would be given directly to the shah and to the Iranian people, rather than to Mossadegh.80

Iran's economic and political situation was in turmoil when Mossadegh returned on 23 November. He had stopped in Cairo on his way back from the United States for a meeting with Egyptian nationalist Prime Minister Mohammed Nahas. In a move that must have fed British and American fears of a Middle Eastern alliance against the West, the two nationalists pledged to support each other's struggles against a common enemy. But Mossadegh's first order of business was regaining the upper hand in his struggle against political opponents at home. The failure of his talks with McGhee, he proclaimed, stemmed from British efforts to "drag out" the oil crisis until Iran collapsed. This was a misplaced hope, the prime minister asserted, because Iran's struggle against British imperialism had been strengthened by support throughout the Middle East. It had also won plaudits from former Mexican president Lazaro Cardenas, who had spearheaded that country's oil nationalization drive. The Iranians had a duty to persevere in their struggle and could so so, Mossadegh seemed to promise, with economic assistance from the American treasury, the Export-Import Bank, and the International Bank for Reconstruction and Development (IBRD). This promise, together with Mossadegh's fiery rhetoric, seemed to shore up his support in Iran.81

British officials also saw hope in the IBRD's offer to run Iran's oil industry pending an Anglo-Iranian settlement, but for different reasons. In their minds, the bank's involvement was a means to reintroduce "efficient Western management" into the Iranian oil industry until arrangements could be made for Britain's return. Accordingly, the British government had joined the AIOC in initiating discussions with officials of the IBRD just as Mossadegh was leaving the United States. These talks were later transferred to London, where they eventually produced an agreement according to which the bank would engage a neutral agency to manage
the AIOC's operations in Iran, purchase Iranian oil at an unspecified but competitive price, and market that oil through established British distribution channels. The managing agency would not be British, but the IBRD assumed that only the AIOC could supply the necessary technicians to operate the Abadan refinery. The proceeds from the sale of oil would be divided three ways, one third to Iran, one third to the managing agency, and one third to an escrow account to be used to cover the compensation terms of the final settlement. This arrangement would not prejudice the legal rights of either Iran or the AIOC and would last for no longer than two years. Although it left unsettled the question of price, which the McGhee-Mossadegh discussions had shown to be a sticking point, the proposed arrangement offered the "glimmer of a solution" to the oil problem and therefore won the support of American officials. They hoped that the IBRD arrangement would restart the Iranian oil industry and obviate the need for U.S. aid to Iran.82

American officials placed even more hope in the IBRD proposals after Mossadegh announced his intention to break the British boycott by selling oil to all potential buyers, even those from Communist-bloc nations. The AIOC's former customers, he asserted, had been given a chance to purchase Iranian oil from the NIOC but had acquiesced in the boycott of Iranian oil instead. Unless these firms signed purchase agreements with Iran by 24 December, he would find other buyers. If implemented, Mossadegh's plan could endanger the strategic balance in the Middle East, or so the Americans worried. It could also trigger the Battle Act of October 1951, which prohibited recipients of American aid from shipping strategic raw materials, including oil, to countries behind the Iron Curtain. If Mossadegh carried out his plan, the United States might be forced to curtail all assistance to Iran in early January 1952, including the U.S. military missions then attached to the Iranian army and Gendarmerie and the $23 million in Point IV assistance scheduled for 1952. The new American ambassador, Loy Henderson, repeatedly warned
Mossadegh about the effects of a possible withdrawal of U.S. assistance but to no avail: The prime minister refused to allow U.S. law to restrict his freedom to sell oil to whomever he wished. With Mossadegh’s intransigence thus likely to halt U.S. assistance early in January, the State Department increasingly saw the IBRD plan as the last hope for saving the Iranian economy.83

Mossadegh’s offer to sell oil to the Communist bloc was probably more bluff than substance: Few, if any, Iron Curtain countries had the wherewithal to purchase and ship large quantities of Iranian oil, let alone the need to do so. Still, Mossadegh must have thought that he had something to gain by at least offering the oil to them. As noted in the last chapter, the prime minister was well aware that American leaders thought it essential to maintain Iran’s Western orientation and he seemed particularly adept at raising the specter of communism to get what he wanted. The British considered it unlikely that Iran would fall to communism, warning the Americans that Mossadegh was playing them for fools. But these warnings were ignored by policymakers in the State Department, who continued to steer by Cold War landmarks.

On a local level, Mossadegh’s open-ended oil sales offer was undoubtedly designed to quash criticism that nationalization had failed. With elections just around the corner, Mossadegh may have hoped that a few signed contracts would assuage his critics, demonstrate the impracticability of the British-led boycott, and give him more time to consolidate his domestic position. This was especially true after demonstrations at Tehran University on 6 December erupted in violent confrontations between students and police. The brutality with which the government subdued the protesters inspired angry press attacks and antigovernment outbursts. On one occasion, hecklers in the spectators’ gallery of the Majlis shouted down the prime minister as he attempted to speak; on another, opposition and government deputies engaged in fisticuffs on the floor of the Majlis. Mossadegh
probably thought that selling oil to the Communists would quell the rising
discontent, show that nationalization was working, and protect his political position
against domestic critics. 84

As further proof that he was making progress on the oil question, Mossadegh
agreed to pursue negotiations with the IBRD, consenting to receive a mission
consisting of Hector Prud'homme, the IBRD's loan officer for Iranian affairs, and
Torkild Rieber, a former chairman of Texaco. The mission was to present the set of
proposals hammered out earlier with the British, including Iran's rehiring of British
technicians and the sale of Iranian oil at prices that would not disrupt petroleum
agreements in other countries. The prime minister had rejected similar proposals
during his earlier negotiations with Stokes and McGhee. On 24 December, an
American news agency reported that Mossadegh had vowed to reject the IBRD
proposals as well. The prime minister's firmness on these questions filtered down to
his supporters, who held a mass demonstration in opposition to the bank's
involvement on the twenty-nineth. The prospects for the IBRD mission were thus
not good when it arrived in Tehran on 31 December. Nor would they improve
during the course of the discussions that followed in the early months of 1952. 85

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The Iranian oil crisis was no closer to a solution at the end of 1951 than it had
been at the beginning. If anything, Britain and Iran seemed further apart, with
neither side willing to abandon its own interests. By October, the AIOC had
withdrawn from Abadan and was replacing Iranian oil by increasing production
elsewhere and by purchasing crude from U.S. companies. It was also continuing its
boycott of Iranian oil sales, which received widespread support from other
international oil companies, including the five American majors. The Iranians were
less successful in dealing with the crisis. They tried in vain to generate revenues by
selling oil on the open market, only to be stymied by the British-led boycott. In the meantime, growing budget deficits and other financial problems portended an imminent collapse of the Iranian economy and, or so American officials worried, a Communist takeover of the government in Tehran. To the American way of thinking, this would have disastrous consequences for the Western position in the Middle East. Not only would it alter the global balance in strategic materials, it would also provide the Soviet Union with a valuable gateway to the Persian Gulf. Without either an immediate resolution of the oil crisis or a massive infusion of American aid, Iran was likely to go the way of China.

To prevent the "loss" of Iran, American policymakers had become increasingly involved in the Anglo-Iranian dispute. Initially, their role as an honest broker had involved mediating between the two disputants without openly favoring either side. This strategy had dominated U.S. policy through the Harriman mission in mid-1951 and was characterized by appeals to both the British and the Iranians for moderation. By late 1951, however, American policymakers had grown decidedly more sympathetic toward the British, in part because the British had accepted nationalization in principle, in part because the Americans had experienced firsthand the intransigence of Mossadegh and other nationalists. To be sure, important Anglo-American differences remained over the wisdom of using economic pressures to weaken Mossadegh's domestic position and over the authenticity of Iran's nationalist movement. But these were minor matters compared to the general transatlantic agreement on Mossadegh's culpability for the continuing crisis.
NOTES


2Arthur L. Richards (counselor, American embassy, Tehran) dispatch 9 to State Department, 2 July 1951, RG 59, 788.13/7-251. See also Richards dispatch 8 to State Department, 2 July 1951, RG 59, 888.2553/7-251; Grady tel. 35 to State Department, 3 July 1951, RG 59, 888.2553AIOC/7-351; Gifford tel. 59 to State Department, 4 July 1951, RG 59, 888.2553AIOC/7-451; D. A. Logan (FO) minute, 4 July 1951, FO 371, 91560/EP1531/928; C. Vaughan Ferguson (GTI) memorandum of conversation, 5 July 1951, RG 59, 888.2553/7-551; FO tel. 719 to British embassy, Tehran, 5 July 1951, FO 371, 91560/EP1531/929; and R. E. Willoughby (American embassy, London) memorandum, 9 July 1951, RG 59, 888.2553AIOC/7-951.

3Gifford tel. 125 to State Department, 6 July 1951, RG 59, 888.2553/7-651. See also C.P.(51)192, "Persia: Ruling of the Hague Court, Memorandum by the Secretary of State for Foreign Affairs," 6 July 1951, CAB 129/46; Gifford tel. 118 to State Department, 6 July 1951, RG 59, 888.2553AIOC/7-651; Grady tel. 76 to State Department, 7 July 1951, RG 59, 888.2553/7-751; Grady tel. 82 to State Department, RG 59, 888.2553AIOC/7-751; Chapin (The Hague) tel. 28 to State Department, 8 July 1951, RG 59, 888.2553AIOC/7-851; Grady tel. 109 to State Department, 9 July 1951, RG 59, 888.2553/7-951; Shepherd tel. 823 to FO, 9 July 1951, FO 371, 91560/EP1531/936; and Richards dispatch 42 to State Department, 11 July 1951, RG 59, 888.2553/7-1151. For the British appeal to the ICJ see ICJ Pleadings, 8-19, 45-53.

4British consul general, Khorramshahr, tel. 247 to FO, 13 July 1951, FO 371, 91584/EP1531/1471. See also British consul general, Khorramshahr, tel. 205 to FO, 3 July 1951, FO 371, 91555/EP1531/861; British consul general, Khorramshahr, 4 July 1951, FO 371, 91555/EP1531/861; Shepherd tel. 788 to FO, 4 July 1951, FO 371, 91555/EP1531/854; Grady tel. 39 to State Department, 4 July 1951, RG 59, 888.2553/7-451; Grady tel. 57 to State Department, 5 July 1951, RG 59, 888.2553AIOC/7-551; "Aide-memoire regarding Present Position of AIOC in Persia," 5 July 1951, FO 371, 91560/EP1531/949; Gifford tel. 125 to State Department, 6 July 1951, RG 59, 888.2553/7-651; and Grady tel. 98 to State Department, 9 July 1951, RG 59, 888.2553/7-951.

91563/EP1531/1026. For the public declaration to remain in Iran see Morrison statement, 9 July 1951, Parliamentary Debates, Commons, 5th ser., vol. 490 (1951), col. 35.


8Acheson, Present at the Creation, 507.

9Grady tel. 197 to State Department, 16 July 1951, RG 59, 888.2553/7-1651. See also Grady tel. 6 to State Department, 1 July 1951, RG 59, 888.2553/7-151; Grady tel. 39 to State Department, 4 July 1951, RG 59, 888.2553/7-451; Ferguson memorandum of conversation, 11 July 1951, RG 59, 788.00/7-1151; L. P. Elwell-Sutton, "Statement on the Persian Oil Dispute," 12 July 1951, FO 371, 91572/EP1531/1232; and unsigned memorandum, "Neutral* Management of the Iranian Oil Industry," 14 July 1951, RG 59, 888.2553/7-1451.


12Acheson tel. 45 to American embassy, Tehran, 8 July 1951, Truman Papers, OF, file: 134-B, box 569. See also Acheson tel. 44 to American embassy, Tehran, 8
July 1951, RG 59, 888.2553/7-851; Grady tel. 109 to State Department, 9 July 1951, RG 59, 888.2553/7-951; Acheson tel. 49 to American embassy, Tehran, 9 July 1951, RG 59, 888.2553/7-951; Richards dispatch 48 to State Department, 11 July 1951, RG 59, 888.2553/7-1151; and Grady tel. 147 to State Department, 11 July 1951, RG 59, 888.2553/7-1151.

Gifford tel. 276 to State Department, 13 July 1951, RG 59, 888.2553/7-1351. See also Franks tel. 2068 to FO, 5 July 1951, FO 371, 91555/EP1531/864; Shepherd tel. 846 to FO, 12 July 1951, FO 371, 91561/EP1531/975; FO tel. 2994 to British embassy, Washington, 12 July 1951, FO 371, 91561/EP1531/964; Gifford tel. 276 to State Department, 13 July 1951, RG 59, 888.2553/7-1351; and FO tel. 668 to British embassy, Paris, 13 July 1951, FO 371, 91562/EP1531/997.


Grady (Harriman) tel. 240 to State Department, 17 July 1951, RG 59, 888.2553/7-1751; Shepherd tel. 879 to FO, FO 371, 91564/EP1531/1048; Vernon Walters, Silent Missions (New York, 1978), 247. See also Shepherd tel. 880 to FO, 17 July 1951, FO 371, 91566/EP1531/1086; Shepherd tel. 890 to FO, 18 July 1951, FO 371, 91566/EP1531/1076; Grady (Harriman) tel. 276 to State Department, 19 July 1951, RG 59, 888.2553/7-1951; Grady (Harriman) tel. 285 to State Department, 19 July 1951, RG 59, 888.2553/7-1951; Shepherd tel. 900 to FO, 20 July 1951, FO 371, 91567/EP1531/1099; and Grady (Harriman) tel. 287 to State Department, 20 July 1951, RG 59, 888.2553/7-2051. Walters, Silent Missions, 241-58, details both the Harriman and subsequent Stokes missions.

Shepherd tel. 900 to FO, 20 July 1951, FO 371, 91567/EP1531/1099; Grady (Harriman) tel. 276 to State Department, 19 July 1951, RG 59, 888.2553/7-1951. See also Shepherd tel. 890 to FO, 18 July 1951, FO 371, 91566/EP1531/1076; Grady (Harriman) tel. 301 to State Department, 20 July 1951, RG 59, 888.2553/7-2051; Grady (Harriman) tel. 314 to State Department, 21 July 1951, RG 59, 888.2553/7-2151; Grady (Harriman) tel. 318 to State Department, 21 July 1951, RG 59, 888.2553/7-2151; Shepherd tel. 902 to FO, 21 July 1951, FO 371, 91567/EP1531/1105; Shepherd tel. 914 to FO, 22 July 1951, FO 371, 91567/EP1531/1115; Furlonge minute, 22 July 1951, FO 371, 91569/EP1531/1153; and Grady (Harriman) tel. to State Department, 22 July 1951, FRUS, 1952-1954 10:105-7.

See Grady (Harriman) tel. 276 to State Department, 19 July 1951, RG 59, 888.2553/7-1951; Shepherd tel. 900 to FO, 20 July 1951, FO 371, 91567/EP1531/1099; Shepherd to Bowker, 23 July 1951, FO 371, 91572/EP1531/1217; McGhee memorandum for Acheson re: Weekend Developments in Iranian Situation, 23 July 1951, RG 59, 888.2553/7-2351. For figures see N. Spencer Barnes (first secretary, American embassy, Tehran) dispatch 136 to State Department, 30 July 1951, RG 59, 888.00/7-3051; and Grady tel. 39 to State Department, 4 July 1951, RG 59, 888.2553/7-451.
18Harriman Formula--Resolution of the Persian Cabinet Containing Proposals as a Basis for Discussion, Proposed to Mr. Harriman for Transmission to the British Government,” 23 July 1951, DIA, 1951, 501; Shepherd tel. 925 to FO, 24 July 1951, FO 371, 91568/EP1531/1124; Shepherd tel. 926 to FO, 24 July 1951, FO 371, 91568/EP1531/1127; Shepherd tel. 927 to FO, 24 July 1951, FO 371, 91568/EP1531/1129; Grady (Harriman) tel. 340 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Grady (Harriman) tel. 341 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; and FO memorandum with attached summary of telegrams, 25 July 1951, FO 371, 91571/EP1531/1196. See also Louis, British Empire in the Middle East, 676.

19See Grady (Harriman) tel. to State Department, 23 July 1951, FRUS, 1952-1954 10:107-8; C.M.(51) 54th Conclusions, 23 July 1951, CABINET 54 (51), CAB 128/20; Grady (Harriman) tel. 340 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Grady (Harriman) tel. 341 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Grady (Harriman) tel. 348 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Grady (Harriman) tel. 352 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Grady (Harriman) tel. 353 to State Department, 24 July 1951, RG 59, 888.2553/7-2451; Acheson tel. 562 to American embassy, London, 24 July 1951, RG 59, 888.2553/7-2451; Gifford tel. 490 to State Department, 25 July 1951, RG 59, 888.2553/7-2551; Ferguson memorandum of conversation, 25 July 1951, RG 59, 888.2553/7-2551; FO memorandum with attached summary of telegrams, 25 July 1951, FO 371, 91571/EP1531/1196; Franks tel. 2302 to FO, 25 July 1951, FO 371, 91568/EP1531/1142; Grady (Harriman) tel. 380 to State Department, 25 July 1951, RG 59, 888.2553/7-2551; British consul general, Khorramshahr tel. 319 to FO, 30 July 1951, FO 371, 91570/EP1531/1191.

20For Britain's terms see Morrison record of conversation with American ambassador, 25 July 1951, FO 371, 91570/EP1531/1186. See also Edmund J. Dorsz (GTI) memorandum of conversation, 24 July 1951, RG 59, 888.2553/7-2451; Furlonge minute, 25 July 1951, FO 371, 91581/EP1531/1200; Gifford tel. 501 to State Department, 25 July 1951, RG 59, 888.2553/7-2551; Grady (Harriman) tel. 382 to State Department, 25 July 1951, RG 59, 888.2553/7-2551; Grady (Harriman) tel. 390 to State Department, 26 July 1951, RG 59, 888.2553/7-2651; FO tel. 912 to British embassy, Tehran, 26 July 1951, FO 371, 91571/EP1531/1199; Shepherd tel. 946 to FO, 26 July 1951, FO 371, 91569/EP1531/1146; Franks tel. 2231 to FO, 26 July 1951, FO 371, 91569/EP1531/1154; C.M.(51) 55th Conclusions, 26 July 1951, CABINET 55 (51), CAB 128/20; Gifford tel. 543 to State Department, 26 July 1951, RG 59, 888.2553/7-2651; and Strang minute, 26 July 1951, FO 371, 91571/EP1531/1198.

21See Shepherd tel. 950 to FO, 27 July 1951, FO 371, 91569/EP1531/1162; Grady (Harriman) tel. 397 to State Department, 27 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Grady (Harriman) tel. 404 to State Department, 27 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Shepherd tel. 953 to FO, 27 July 1951, FO 371, 91569/EP1531/1163; FO tel. 923 to British embassy, Tehran, 27 July 1951, FO 371, 91569/EP1531/1163; and Grady (Harriman) tel. 407 to State Department, 27 July 1951, RG 59, 888.2553/7-2751.

22See FO tel. 927 to British embassy, Tehran, 28 July 1951, FO 371, 91572/EP1531/1233; Acheson tel. 211 to American embassy, Tehran, 28 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Gifford (Harriman) tel. 581 to State Department, 28 July 1951, Truman Papers,
PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Middleton tel. 974 to FO, 29 July 1951, FO 371, 91570/EP1531/1177; Middleton tel. 975 to FO, 29 July 1951, FO 371, 91570/EP1531/1178; Grady tel. 424 to State Department, 29 July 1951, RG 59, 888.2553/7-2951; Grady tel. 425 to State Department, 29 July 1951, RG 59, 888.2553/7-2951; Gifford tel. 582 to State Department, 29 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; and Grady (Harriman) tel. 458 to State Department, 30 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman.

23See Middleton tel. 988 to FO, 30 July 1951, FO 371, 91570/EP1531/1189; Gifford (Harriman) tel. 584 to State Department, 30 July 1951, Truman Papers, PSF-Subject File, box 180, folder: W. Averell Harriman; Grady tel. 442 to State Department, 30 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; McGhee memorandum for the secretary, "Weekend Developments in the Iranian Situation, for Discussion with the President," 30 July 1951, RG 59, 888.2553/7-3051; C.M.(51) 56th Conclusions, 30 July 1951, CABINET 56 (51), CAB 128/20; C.M.(51) 57th Conclusions, 1 August 1951, CABINET 57 (51), CAB 128/20; Gifford tel. 648 to State Department, 1 August 1951, RG 59, 888.2553/8-3151; Gifford tel. 669 to State Department, 1 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; FO tel. 952 to British embassy, Tehran, 1 August 1951, FO 371, 91570/EP1531/1182; FO tel. 953 to British embassy, Tehran, 1 August 1951, FO 371, 91570/EP1531/1182; Middleton tel. 1012 to FO, 2 August 1951, FO 371, 91572/EP1531/1222; and FO tel. 969 to British embassy, Tehran, 3 August 1951, FO 371, 91575/EP1531/1282.

24For discussion of Harriman's remaining in Tehran see H. Freeman Matthews memorandum of conversation, 2 August 1951, Acheson Papers, box 66, folder: Memoranda of Conversations, August 1951; McGhee memorandum for Acheson, re: "Desirability of Mr. Harriman's Remaining in Iran until Conclusion of Negotiations He Has Arranged," 3 July 1951, RG 59, 888.2553/8-351; Grady (Harriman) tel. 489 to State Department, 3 July 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; and Acheson tel. 282 to American embassy, Tehran, 3 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman.

25Parliamentary Debates (Commons), 5th ser., vol. 491 (1951), col. 991. The entire Middle Eastern debate runs from cols. 959 to 1072. See also Louis, British Empire in the Middle East, 666-71.

26Stokes quoted in Louis, British Empire in the Middle East, 678. On Stokes's background see also ibid., 677-82. For Stokes's attitude toward the Iranian people see, for example, "History of Events on 21st August 1951: Note by the Lord Privy Seal," 22 August 1951, FO 371, 91583/EP1531/1453; and Averell Harriman quoted in Princeton Seminar, 15 May 1954, reel 2, track 2, page 6.


29Shepherd minute, 5 August 1951, FO 371, 91577/EP1531/1338; Shepherd (Stokes) tel. 1043 to FO, 7 August 1951, FO 371, 91573/EP1531/1258. See also Shepherd (Stokes) tel. 1038 to FO, 5 August 1951, FO 371, 91573/EP1531/1250; and Shepherd (Stokes) tel. 1039 to FO, 5 August 1951, FO 371, 91573/EP1531/1251.

30See Shepherd (Stokes) tel. 1047 to FO, 7 August 1951, FO 371, 91574/EP1531/1260; Grady (Harriman) tel. 531 to State Department, 8 August 1951, FO 371, 91574/EP1531/1277; Shepherd (Stokes) tel. 1059 to FO, 9 August 1951, FO 371, 91574/EP1531/1273; McGhee memorandum for Acheson, 9 August 1951, RG 59, 888.2553/8-951; and Shepherd (Stokes) tel. 1066 to FO, 10 August 1951, FO 371, 91575/EP1531/1284.

31Shepherd (Stokes) tel. 1077 to FO, 11 August 1951, FO 371, 91576/EP1531/1295; "British Embassy Press Release Concerning Addition Information on the 8-Point Proposal, Provided by Mr. Stokes, August 13, 1951," 13 August 1951, RG 59, 888.2553/8-1351. See also Shepherd tel. 1082 to FO, 12 August 1951, FO 371, 91575/EP1531/1297; and Grady (Harriman) tel. 589 to State Department, 12 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman.

32Shepherd (Stokes) tel. 1085 to FO, 12 August 1951, FO 371, 91576/EP1531/1298; Grady (Harriman) tel. 601 to State Department, 13 August 1951, Truman Papers, PSF-Subject Files, box 180, folder: Iran--W. Averell Harriman.

33Grady (Harriman) tel. 601 to State Department, 13 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Berry memorandum, 13 August 1951, RG 59, 888.2553/8-1351; Shepherd (Stokes) tel. 1086 to FO, 13 August 1951, FO 371, 91576/EP1531/1209; Shepherd to Bowker, 13 August 1951, FO 371, 91578/EP1531/1344; unsigned memorandum [Stokes], "Meeting with the President of the Senate and About 20 Senators," 16 August 1951, FO 371, 91580/EP1531/1383; Shepherd (Stokes) tel. 1105 to FO, 14 August 1951, FO 371, 91577/EP1531/1316.

34See the sources cited in the previous note.

35Grady (Harriman) tel. 704 to State Department, 18 August 1951, RG 59, 888.2553/8-1851; Elwell-Sutton, Persian Oil, 252. See also Holmes tel. 882 to State Department, 15 August 1951, RG 59, 888.2553/8-1551; Furlonge minute, 15 August 1951, FO 371, 91579/EP1531/1359; Shepherd (Stokes) tel. 1125 to FO, 16 August 1951, FO 371, 91577/EP1531/1316; Grady (Harriman) tel. 663 to State Department, 16 August 1951, RG 59, 888.2553/8-1651; Grady (Harriman) tel. 675 to State Department, 17 August 1951, RG 59, 888.2553/8-1751; "Mr. Stokes' Statement to the Press." 17 August 1951, RG 59, 888.2553/8-1751; Grady (Harriman) tel. 700 to State Department, 18 August 1951, RG 59, 888.2553/8-1851; Grady (Harriman) tel. 705 to State Department, 19 August 1951, Truman Papers,
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PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Grady (Harriman) tel. 706 to State Department, 19 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; and Shepherd (Stokes) tel. 1151 to FO, 19 August 1951, FO 371, 91578/EP1531/1356.

36For Harriman's initial private support of the Eight Point Proposal see Grady (Harriman) tel. 589 to State Department, 12 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman.

37Grady (Harriman) tel. 705 to State Department, 19 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman. See also Grady (Harriman) tel. 709 to State Department, 19 August 1951, RG 59, 888.2553/8-1951; Shepherd (Stokes) tel. 1150 to FO, 19 August 1951, FO 371, 91578/EP1531/1355; Shepherd (Stokes) tel. 1152 to FO, 19 August 1951, FO 371, 91578/EP1531/1357; and Berry memorandum, 20 August 1951, RG 59, 888.2553/8-2051.

38Grady (Harriman) tel. 736 to State Department, 22 August 1951, RG 59, 888.2553/8-2251. See also Shepherd (Stokes) tel. 1163 to FO, 20 August 1951, FO 371, 91579/EP1531/1363; Shepherd to Bowker, 20 August 1951, FO 371, 91580/EP1531/1396; Grady (Harriman) tel. 724 to State Department, 20 August 1951, RG 59, 888.2553/8-2051; Berry memorandum, 21 August 1951, RG 59, 888.2553/8-2151; Shepherd (Stokes) tel. 1172 to FO, 22 August 1951, FO 371, 91580/EP1531/1387; Shepherd (Stokes) tel. 1173 to FO, 22 August 1951, FO 371, 91580/EP1531/1388; Shepherd (Stokes) tel. 1174 to FO, 22 August 1951, FO 371, 91580/EP1531/1389; Shepherd (Stokes) tel. 1196 to FO, 22 August 1951, FO 371, 91580/EP1531/1390; Grady (Harriman) tel. 734 to State Department, 22 August 1951, RG 59, 888.2553/8-2251; Grady (Harriman) tel. 737 to State Department, 22 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Grady (Harriman) tel. 756 to State Department, 22 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Grady (Harriman) tel. 761 to State Department, 23 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; Grady tel. 769 to State Department, 23 August 1951, RG 59, 888.2553/8-2351; Grady (Harriman) tel. 781 to State Department, 23 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; "Mr. Stokes' Statement to Press on Departure from Iran, August 23, 1951," 23 August 1951, RG 59, 888.2553/8-2351; "Dr. Mosadeq's Reply to Mr. Harriman's Letter of August 21," 24 August 1951, RG 59, 888.2553/8-2451; and "Short Account of Talks on Wednesday Morning, 22 August 1951, Before Leaving Tehran," 27 August 1951, FO 371, 91584/EP1531/1481.

39See FO tel. 1109 to British embassy, Tehran, 28 August 1951, FO 371, 91581/EP1531/1408; Holmes (Harriman) tel. 1091 to State Department, 28 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; and Strang record of 27 August meeting between Attlee, Harriman et al., 28 August 1951, T236/3657. For evidence that Mossadegh's attitude might have been softening see Grady (Harriman) tel. 786 to State Department, 24 August 1951, Truman Papers, PSF-Subject File, box 180, folder: Iran--W. Averell Harriman; and Shepherd tel. 1212 to FO, 24 August 1951, FO 371, 91581/EP1531/1408.
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42See Painter, Oil and the American Century, 179; Louis, British Empire in the Middle East, 657-62, 674-76; and C. M. Woodhouse, Something Ventured (London, 1982), 108-11.


45See Bruce K. Brown, Oil Men in Washington: An Informal Account of the Organization and Activities of the Petroleum Administration for Defense during the Korean War, 1950-1952 (n.p., 1965), 149-65; and Painter, Oil and the American Century, 179-81. For an in-depth look at the interpenetration of the public and private sectors with regard to oil policy see Engler, Politics of Oil.
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51 See Webb tel. 5 to American delegation, San Francisco, 1 September 1951, RG 59, 888.2553/9-151; Franks tel. 3061 to FO, 21 September 1951, FO 371, 91589/EP1531/1598; Franks tel. 3074 to FO, 22 September 1951, FO 371, 91590/EP1531/1606; Franks tel. 3097 to FO, 25 September 1951, FO 371,
52 C.M.(51) 60th Conclusions, 27 September 1951, CABINET 60 (51), CAB 128/20. See also Franks tel. 3097 to FO, 25 September 1951, FO 371, 91462/EP1024/3; message from Truman to Attlee, 26 September 1951, RG 59, 888.2553/9-2651; and FO tel 1281 to British embassy, Tehran, 27 September 1951, FO 371, 91592/EP1531/1662. For continuing British military plans see Chiefs of Staff Committee minutes, C.O.S.(51)129th meeting, 13 August 1951, DEFE4/46; Chiefs of Staff Committee, Confidential Annex to C.O.S.(51)129th Meeting, 13 August 1951, DEFE4/46; Chiefs of Staff Committee minutes, C.O.S.(51)130th Meeting, 14 August 1951, DEFE4/46; and Chiefs of Staff Committee minutes, C.O.S.(51)134th Meeting, 22 August 1951, DEFE4/46.

53 For domestic British politics and Labour-Conservative discussions see Root to John E. Utter (American embassy, Paris), 25 July 1951, RG 84, London Embassy, Classified Records, 523.1 Middle East; Margaret Woon (research analyst, American embassy, London) dispatch 1022 to State Department, 23 August 1951, RG 59, 741.00/8-2351; Holmes tel. 1270 to State Department, 7 September 1951, RG 59, 741.00/9-751; Harriman letter to Dwight D. Eisenhower, 19 September 1951, Eisenhower Pre-Presidential Papers, Principal File, box 55, folder: Harriman, W. Averell (1) [September 1951-April 1952], Dwight D. Eisenhower Library, Abilene, Kansas; Furlonge minute, 21 September 1951, FO 371, 91591/EP1531/1462; George W. Perkins (EUR) memorandum for Acheson, 26 September 1951, RG 59, 741.00/9-2651; and Holmes tel. 1531 to State Department, 26 September 1951, RG 59, 741.00/9-2651.

54 For American objections see Franks tel. 3157 to FO, 29 September 1951, FO 371, 91592/EP1531/1667; and Franks tel. 3163 to FO, 30 September 1951, FO 371, 91592/EP1531/1666.


57 Although debate was originally scheduled to begin on 11 October it was postponed until the fifteenth at Mossadegh's request.

58 Gifford tel. 1607 to State Department, 2 October 1951, RG 59, 888.2553/10-251. For a colorful account of the AIOC's withdrawal from Abadan see Longhurst, Adventure in Oil, 143-44. For domestic British reaction see "Speeches on the Persian Situation Made during the British General Election Campaign," October 1951, DIA, 1951, 520-26; Gifford tel. 1623 to State
Department, 3 October 1951, RG 59, 741.00/10-351; Gifford tel. 1624 to State Department, 3 October 1951, RG 59, 741.00/10-351; Gifford tel. 1673 to State Department, 4 October 1951, RG 59, 741.00/10-451; Gifford tel. 1722 to State Department, 8 October 1951, RG 59, 741.00/10-851; and Woon dispatch 1677 to State Department, 9 October 1951, RG 59, 741.00/10-951.


60For detailed coverage of the Security Council debate see Ford, The Anglo-Iranian Dispute of 1951-1952, 124-53; and ICJ Pleadings, 372-78.

61Acheson, Present at the Creation, 511; Acheson tel. 2808 to State Department, 10 November 1951, RG 59, 888.2553/11-1051. See also Acheson tel. to State Department, 14 November 1951, FRUS, 1952-1954 10:281-83.

62Vernon A. Walters memorandum of conversation between McGhee and Mossadeq, 14 October 1951, in William O. Baxter (GTI) memorandum for the files re McGhee-Mosadeq conversations, 1951, 28 January 1953, RG 59, 888.2553/1-2853 (hereafter Baxter memorandum). For McGhee's own account of the discussions see McGhee, "Recollections of Dr Muhammad Musaddiq," in Bill and Louis, eds., Musaddiq, Iranian Nationalism, and Oil, 296-302; and idem, Envoy to the Middle World, 388-404. See also Walters, Silent Missions, 259-63.

63See Walters memorandums of conversation, 8, 9 (2 cons), 11 (2 cons), 12, and 13 October 1951, in Baxter memorandum, 23 January 1953, RG 59, 888.2553/1-2853; Austin tel. 438 to State Department, 8 October 1951, RG 59, 888.2553/10-851; Franks tel. 3280 to FO, 11 October 1951, FO 371, 91600/EP1531/1854; Jebb tel. 1008 to FO, 11 October 1951, FO 371, 91600/EP1531/1866; Acheson tel. 801 to American embassy, Tehran, 12 October 1951, RG 59, 888.2553/10-1215; Franks tel. 3321 to FO, 13 October 1951, FO 371, 91601/EP1531/1884.

64See the documents cited in the previous note.

65Funkhouser memorandum of conversation, "Meeting with Representatives of U.S. Oil Companies to Discuss Developments in Iran," 14 September 1951, RG 59, 788.00/9-1451; Jebb tel. 332 to FO, 12 October 1951, FO 371, 91601/EP1531/1889. See also Rountree memorandum for McGhee, 13 September 1951, RG 59, 888.2553/9-1351; McGhee memorandum of conversation with
Acheson and representatives of U.S. oil companies, 10 October 1951. Acheson Papers, box 66, folder: Memoranda of Conversations, October 1951; McGhee memorandum of conversation for the president, RG 59, 788.00/10-1051; and Butler record of conversation, 10 October 1951, FO 371, 91612/EP1531/2176.


67See Walters memorandums of conversation, 24 (2 cons), 27, 28, 29, and 30 October, in Baxter memorandum, 28 January 1953, RG 59, 888.2553/1-2853.

68For discussions of price see Walters memorandums of conversation, 24, 25, 29, and 30 October 1951, in Baxter memorandum, 28 January 1953, RG 59, 888.2553/1-2853.

69Mossadegh quoted in Walters memorandum of conversation, 30 October 1951, in Baxter memorandum, 28 January 1953, RG 59, 888.2553/1-2853. See also the sources cited in the previous note.


71Ibid., 255.


74Bruce tel. to State Department, 9 November 1951, FRUS, 1952-1954 10:272-74; Acheson tel. 2808 to State Department, 10 November 1951, RG 59, 888.2553/11-1051. See also Official Oil Working Party on Persian Oil memorandum with attached FO minutes, 29 October 1951, FO 371, 91608/EP1531/2061; Webb telac. to American embassy, Paris (for Acheson), 8

The British had held intergovernmental discussions on the idea of a consortium as early as October. See Ministry of Fuel and Power note on Iran, P.O.W.P. (51)25, 29 October 1951, FO 371, 91607/EP1531/2036.


Mossadegh quoted in Walters, Silent Missions, 262. For continuing McGhee-Mossadegh discussions see Walters memorandums of conversation, 1, 3, 5, 8, 9 (2 cons), 13, 15 (2 cons), 16, and 17 (2 cons) November 1951, in Baxter memorandum, 28 January 1953, RG 59, 888.2553/1-2853. For Mossadegh's appeals for financial assistance see Walters memorandum of conversation, 8 November 1951, in Baxter memorandum, 28 January 1953, RG 59, 888.2553/1-2853; and Mossadegh to Truman, 9 November 1951, Truman Papers, OF, file 134-B, box 569.

See Richards dispatch 516 to State Department, 16 October 1951, RG 59, 788.13/10-1651; Henderson tel. to State Department, 22 October 1951, FRUS, 1952-1954 10:236-40; Robert M. Carr (counselor for economic affairs, American embassy, Tehran) dispatch 584 to State Department, 2 November 1951, RG 59, 888.00/11-251; M. T. Flett (Treasury) note with enclosed paper by Persian Oil Working Party, "Economic Sanctions against Persia," 4 November 1951, T236/3660; Middleton dispatch 310 to FO, 14 November 1951, FO 371, 91451/EP1013/41; Middleton to Furlonge, 19 November 1951, FO 371, 91472/EP1024/10; Robert B. Parke (acting commercial attaché, American embassy, Tehran) dispatch 657 to State Department, 30 November 1951, RG 59, 888.00/11-3051; and Middleton dispatch 333 to FO, 12 December 1951, FO 371, 91451/EP1013/44. For figures see Henderson tel. 1479 to State Department, 22 October 1951, RG 59, 888.2553/10-2251.


Henderson tel. 1935 to State Department, 26 November 1951, RG 59, 788.13/11-2651. See also Franklin C. Gowen (counselor, American embassy, Mexico City) dispatch 849 to State Department, 5 October 1951, RG 59, 888.2553/10-551; Henderson tel. 1983 to State Department, 28 November 1951, RG 59, 788.15/11-2851; and Middleton dispatch 333 to FO, 12 December 1951, FO 371, 91451/EP1013/44.


84For domestic Iranian context see Azimi, Crisis of Democracy, 273-76; and Middle Eastern Affairs (January 1952), 29-30.

CHAPTER V

Stalemate:

An Anglo-Iranian Test of Wills

The first six months of 1952 saw what Dean Acheson described as "static trench warfare" on the Iranian front: Both Iran and Great Britain sought to win a war of attrition against the other.1 Mossadegh rejected an interim settlement proposed by the International Bank for Reconstruction and Development, while the British continued to lead an international boycott of Iranian oil exports. The British also managed to replace Iranian oil with petroleum from other sources, including American companies, which made it easier for them to sit tight and wait until economic pressures forced Iran to capitulate. There was no sign that Mossadegh would abandon the goal of nationalization, however, even though the loss of oil revenues contributed to a steady deterioration of the Iranian economy.

As the oil crisis persisted, American determination to reach a settlement grew stronger. Because the Petroleum Administration for Defense had successfully replaced Iranian oil with other sources of supply, officials in the State Department agreed with their British counterparts that an Iranian settlement was less important as far as the supply needed to meet American and British requirements was concerned. But resolving the crisis was still important if the West were to safeguard the Middle East against Soviet encroachment and internal subversion. For these reasons, the Americans argued, Iran's deteriorating economy needed rapid attention, as did the country's precarious political situation. With these factors in mind, American policymakers continued to seek a settlement that would assure
Iran's allegiance to the West without sacrificing Britain's position in the Middle East and throughout the world.

Yet because the United States was already committed to the recovery of Western Europe and preoccupied with the Korean War, it could not simply force the British into an acceptable Iranian solution. Instead, American policymakers continued to rely on the British to protect Iran and the entire Middle East from Communist expansion. This dependence prevented the Americans from criticizing British policy as loudly as might otherwise have been the case, and probably helped to string out the crisis a little longer. More important, it also tied the United States to hard-line British policies in Iran that were not always wise or far-sighted.

Iran's economic situation at the beginning of 1952 showed the effects of the loss of oil revenues. Mossadegh's austerity program had not reduced government expenditures, nor had he generated much income through an inaugural offering of government bonds or through new taxes on luxury goods and nonessential imports. The prime minister also tried to decrease Iran's dependence on oil revenues by instituting a strategy of "non-oil economics." But this strategy, which sought to increase other exports, such as carpets and agricultural products, had yet to show significant results. By mid-January, Mossadegh was warning Ambassador Henderson that a Communist revolution was imminent unless the United States provided Iran with immediate financial assistance.²

Mounting political instability seemed to confirm Mossadegh's warnings. General opposition to the government, fueled by the prime minister's failure to solve the oil crisis, continued to grow. Many Iranians rejected the government's call for a non-oil economy, resisted Mossadegh's efforts to collect new taxes, and called for an immediate oil settlement with Great Britain. Violence broke out in some
areas of the country during national elections for the Seventeenth Majlis, which had gotten under way in late December and which were expected to continue through at least March. With Iran’s future resting on the results of these elections, both Mossadegh and his opponents waged vigorous campaigns that turned the elections into a referendum on the government. Although early returns from Tehran and other districts produced victories for Mossadegh and the National Front, many critics attributed the results to government fraud—a charge that Mossadegh denied but that independent observers seemed to confirm. Opposition elements in the Majlis also added to Mossadegh’s woes by scheduling an interpellation of the government for 22 January, apparently in hopes of generating antigovernment publicity that might influence the elections in areas where voting had not yet been completed. As the only organized opposition to Mossadegh, the Tudeh party was sure to profit from the prime minister’s political troubles.

Despite the potentially destabilizing effects of Iran’s economic and political problems, the Truman administration was reluctant to provide it with assistance that would be used to meet normal government expenses. Officials in the State Department, while not discounting the seriousness of the situation, believed that Mossadegh was exaggerating the danger in order to strengthen his political position, especially in the upcoming Majlis interpellation. It was probable, they asserted, that Mossadegh wanted to use promises of American aid to silence criticism that he was leading Iran toward economic disaster. These officials also feared that American aid would decrease Mossadegh’s need to negotiate an oil settlement, encourage other national leaders to follow his example, and anger the British. After considerable discussion, and against the advice of Ambassador Henderson, who truly feared an imminent Iranian collapse, the State Department in mid-January had affirmed its earlier decision that budgetary aid should "be associated in some way with [the] oil situation." Until an oil settlement had been reached, in other words,
the United States would provide Iran with assistance only for development or military purposes—assistance that could not be used to balance Iran's budget or to pay its debts and that would thus do nothing to alleviate the mounting economic pressure on Mossadegh to hammer out a settlement with the British. The United States thus continued to exert the same kind of economic pressure on Mossadegh as did the British.4

With little prospect of bolstering his sagging political position with American aid, Mossadegh sought instead to rally public opinion against the British. On 9 January, in what was widely regarded as a bid for popular support, the prime minister accused the British government of "intriguing" with everyone from Majlis deputies to students and journalists in an effort to "ruin Iran economically [and] politically." Although vague about Britain's crimes, Mossadegh was probably referring to the AIOC's boycott of Iranian oil and to alleged interference by British consular officials in Iran's internal affairs. When the British refused to acknowledge Mossadegh's unspecified and unsubstantiated charges, which recent scholarship seems to confirm, the prime minister ordered all British consulates in Iran closed by 21 January, one day before the scheduled Majlis interpellation. The Iranian government also refused to accept the appointment of Sir Robert Hankey to succeed Ambassador Francis Shepherd on the grounds that Hankey had previously served as a diplomat in Iran. Although British policymakers failed to grasp the reasons for Mossadegh's rejection of Hankey's appointment, it is probable that the prime minister believed that novice diplomats who lacked contacts with Anglophiles in Iran would be less likely to intervene in domestic affairs.5

These anti-British actions constituted an astute political move on Mossadegh's part. By skillfully diverting the focus of the Majlis interpellation from condemnation of his failure to solve the oil crisis to endorsement of his efforts to end British interference in Iran, the prime minister guaranteed the interpellation's failure. In
fact, it had to be cancelled when Mossadegh’s threats publicly to brand his opponents as traitors kept so many deputies from attending the session that a quorum could not be reached. From this point on, the Sixteenth Majlis ceased to function and the Senate became Iran’s only legislative body.6

If Mossadegh’s action against the British boosted his political position, however, it also contributed to a worsening of Anglo-Iranian relations. It further jeopardized the chances of settling the oil crisis and caused new alarm in Washington, where policymakers hoped to take advantage of British Prime Minister Winston Churchill’s impending visit in order to promote an oil settlement. Churchill had proposed the visit in November as a way of establishing the kind of close personal relationship with President Truman and other American officials that he had earlier developed with President Roosevelt. In addition, Churchill and other British leaders saw the talks as part of a continuing strategy to "make the US-UK relationship more obvious to the world" and to win American support for British policy in Iran and Egypt, where the government of Mohammed Nahas had recently abrogated Britain’s treaty right to station troops in the Suez Canal Zone. Churchill, Eden, and their colleagues in London were convinced that an Anglo-American partnership in the Middle East "would divide [Britain’s] difficulties by ten." Had the United States made a greater effort to cooperate with Britain in the past, the prime minister believed, neither "the Iranian troubles" nor "the Egyptian problem, which he called 'a bastard child of the Iranian situation,'" would have developed. Instead, things had happened precisely as the British had feared: Iran’s assault on the AIOC had inspired similar action in Egypt, and might set a dangerous precedent for other countries as well. A "unified [Anglo-American] front," Churchill believed, would not only have prevented these unfortunate developments but would also serve to reconcile Britain’s declining resources with its worldwide responsibilities and to preserve some remnant of its former position throughout the Middle East,
especially in Iran.  

Officials in Washington doubted Churchill's ability to duplicate his wartime relationship with Roosevelt. But they did see the talks as a means of squaring Anglo-American differences on a number of important issues. One dispute the Americans hoped to settle was the question of the European Defense Community, which London was not supporting as strongly as Washington would have liked. Another concerned Britain's lack of support for the American position in Asia, notably its recognition of the Communist government in China and its somewhat restrained support of the American-led police action in Korea. And closer to our purposes, they also wished to coordinate Anglo-American policy toward the Middle East. To this end, briefing papers and intelligence reports prepared for Churchill's visit reiterated America's interrelated goals in Iran: to maintain that country's alignment with the West and to preserve Western access to its oil. Because Iran was the key to a non-Communist Middle East, American leaders urged immediate resolution of the oil dispute, even if this meant sacrificing "legitimate British interests" to the larger goal of preventing a "tragedy . . . to the entire West." While acknowledging Britain's traditional dominance in the Middle East, U.S. planners went on to assert that America's "increasing stake" in the area must be accompanied by a "commensurate role in the development of [regional] plans and policies," especially in light of Britain's declining ability "to maintain and defend Western interests." This did not mean that American leaders were prepared to play a more active role in implementing Anglo-American plans. With its resources severely limited by its commitments to Western Europe and by the war in Korea, the United States needed Britain to carry the lion's share of Middle Eastern defense. All American policymakers seemed to be saying was that the time had come for the United States to join Britain in formulating Western strategy for the region.  

When the Washington talks opened on 5 January, Secretary Acheson was
quick to make all of these points to the British. He also sought to spur the British to action. Because the situation in Iran and throughout the Middle East "might have been devised by Karl Marx himself," Acheson argued, it warranted immediate attention. By "sitting tight" and allowing Iran to drift toward communism, the British and the Americans "would be like two people locked in loving embrace in a rowboat which was about to go over Niagara Falls." To avert disaster, Acheson concluded, the two nations "should break the embrace and take to the oars." They should launch new initiatives immediately or the collapse of Iran was imminent.9

The British delegation to the Washington talks disagreed. As had been their wont throughout the oil crisis, these officials emphasized the fact that underdeveloped, agricultural countries, like Iran, were always harder than they appeared. Because it had no industrial infrastructure or financial apparatus, Iran could remain afloat for some time; as Ambassador Franks put it, "[we] often encounter serious threats" in Iran, but "seem never to go over the cliff." In addition, the delegation believed that Mossadegh was raising the specter of collapse to frighten the Americans into loosening restrictions on economic aid or forcing Britain to make further oil concessions. It also doubted that the Soviet Union would jump to Mossadegh's assistance, either by providing financial assistance or by purchasing Iranian oil.10

American policymakers at the Washington talks were unmoved by these arguments. To their way of thinking, the Iranian situation was rapidly degenerating into a game of chicken in which each side, Britain and Iran, sought to outlast and outthink the other. The dangers inherent in such a course fueled American fears for Iran's safety. By virtue of its position astride the Soviet Union, Iran was crucial to Western security in the Middle East, and American officials were determined to maintain its stability. They placed their primary hopes for a settlement of the oil crisis on discussions that were then under way between Iran and the IBRD, even
though, as we will soon see, these discussions had not gotten off to an auspicious start. American policymakers also believed that the British should be ready with a new proposal in case these talks failed. Such a proposal, they asserted, should abandon "general principles" for a "practical solution" to the Iranian problem. Because Mossadegh's primary goal was to compensate the AIOC for its properties so that nationalization could be said to have been accomplished, the State Department suggested a specific amount of compensation--the equivalent of $400 million in free oil. After making compensation in this amount, Iran would continue to provide Britain with oil at a discount of 25 or 30 percent--an amount, according to American calculations, that would give Iran approximately 60 percent of the oil industry's profits. This proposal left many questions unanswered, yet it clearly revealed the State Department's determination to resolve the crisis. "The situation in Iran cannot go on indefinitely without incurring the very real danger that a solution will come too late," Secretary Acheson cautioned. "It is [therefore] best to have alternatives."\footnote{11}

British officials denounced the American proposal as "unrealistic" and "unacceptable." The compensation figure, they argued, was far too low, even as part of a settlement that cancelled Iran's claims against the AIOC. Nor was a sixty-forty division of profits acceptable, not only because it was unfair to the AIOC but also because it would jeopardize Britain's other international contracts, which were its "life blood" and an essential element of its balance of payments. There were other problems with the American proposal, at least according to the British, including its failure to provide for either the capital necessary to restart and maintain the Iranian oil industry or for the efficient management of that industry. To British policymakers, the American proposal epitomized the kind of "bad" settlement they feared most. It sacrificed legitimate British concerns to Iranian demands, "put a premium on confiscation," and was motivated by the State Department's
"exaggerated" fear of Communist expansion in Iran, rather than by an objective assessment of the situation.12

This last point constituted the real stumbling block to Anglo-American agreement on the terms of an Iranian settlement. Despite the State Department's admission that Mossadegh was "reckless and dangerous," it continued to see him as the only alternative to the Tudeh party and to push the British toward settlement of the oil crisis before Iran's economy collapsed and forced Mossadegh to turn to the Soviet bloc for assistance. British policymakers accused the Americans of allowing their obsession with communism "to shade any possible [oil] solution in favor of Iran." Although not downplaying the dangers of a Communist coup in Iran, they remained more sanguine about that country's economic resiliency. Its "feeble primitive economy" may have deteriorated, they said, but Iran was a long way from collapse, which in any event need not lead inevitably to communism. In addition to questioning the likelihood of a Communist coup in Iran, the Foreign Office continued to doubt that the Soviet Union would assist Mossadegh. In its estimation, the real danger of communism in Iran came not from the oil crisis but from Mossadegh's continued tenure as prime minister. By failing to curb the rising power of the Tudeh party and by wedding Iran to a nationalization policy that could lead only to economic chaos, Mossadegh was leading the country straight into Moscow's arms, or so the British believed. This idea remained a staple of British thinking throughout the oil crisis, and one that policymakers in Washington would eventually come to accept.13

If the Washington talks, which formally adjourned on 18 January, failed to resolve the Iranian crisis they did provide for a complete airing of Anglo-American differences. They also led to continued discussions on the Iranian question in London, where Paul Nitze and Harold Linder of the State Department held numerous meetings with representatives of the Foreign Office, Treasury, Ministry of
Fuel and Power, and the AIOC in mid-February. Initial talks indicated agreement on several key points: Mossadegh's political position would probably improve after the Majlis elections; Iran's economy was deteriorating, but not as rapidly as the State Department had originally believed; and the shah was unlikely to move against Mossadegh. The talks also revealed that the State Department now shared British doubts about Mossadegh's chances of receiving aid from the Soviet Union, either as direct financial assistance or through oil purchases. As Nitze reported, the State Department, along with the CIA and military planners in the Pentagon, believed "that the Soviets probably estimate that their best chance of gaining control of all or parts of Iran is by allowing the situation to continue to deteriorate rather than by bolstering any Iranian Government." This was due to Moscow's reluctance to alienate the Tudeh party, as well as to its hope of eventually controlling Iran without any expenditure at all.

These agreements notwithstanding, British and American leaders continued to differ over the immediacy of settling the oil crisis. The Americans, Nitze and Linder reported, still feared the consequences of a protracted dispute, not only because it would adversely affect the Iranian treasury but also because it could discourage Iranian moderates who might otherwise oppose Mossadegh. It was therefore preferable, they argued, to be prepared to continue discussions with Mossadegh if the IBRD mission failed. The British, though, bristled at the thought of giving Mossadegh another chance. If the prime minister's blatant attempts to blackmail the West succeeded, and he were continually handed proposal after proposal until all of his demands had been met, other nations would follow Iran's lead, with disastrous results for Britain's international position. It was far better "to let time do its work," the British maintained, by which they meant allowing the economic consequences of the oil crisis to convince the Iranians of the error of their ways. And if the Americans still insisted on keeping Iran afloat, British officials much
preferred direct assistance to either an "unsatisfactory oil agreement" or a break in their boycott of Iranian oil.15

Increasing American assistance to Mossadegh, however, was not really a viable option. Neither Congress nor the American public would acquiesce in aid to balance Iran's budget when it could obtain "revenues of a very great magnitude" merely by settling the oil dispute. Such assistance could be no more than a temporary palliative in any event: It would not permanently solve Iran's economic crisis, which stemmed from the loss of oil revenues, and would actually prolong that crisis by delaying Iran's need to reach a settlement with Britain. For these reasons, American leaders continued to believe that U.S. assistance should go hand in hand with an acceptable oil settlement and should be used as leverage to induce Mossadegh to reach an accord with the AIOC.16

In the meantime, Nitze reported that the Truman administration was willing to resume military aid to Iran. Shipments of military matériel to Iran had been halted on 8 January 1952, because Mossadegh refused to comply with the terms of the Mutual Security Act, which required recipients of American military aid to declare their allegiance to the West. Renewed military aid to Iran, U.S. officials argued, was necessary primarily to enable Iran to fend off an internal Communist coup. But it had other benefits as well: It preserved American prestige, which would be sorely damaged if Mossadegh ordered the expulsion of American military advisers; it contributed to American influence over Iranian officials, especially the shah, who yearned for the latest weapons and military technology; and it kept Mossadegh from using the termination of American aid to bolster his political position at the expense of the shah's. With so much riding on continued military assistance to Iran, by mid-January American policymakers were even willing to make "considerable concessions in the form and wording" of Mossadegh's promise to ally Iran with the West.17
Like the preceding Anglo-American discussions in Washington, the London talks did not result in bilateral agreement on a solution to the Iranian crisis. The Americans still stressed the "higher" danger inherent in the crisis while the British took a more "empirical" approach designed to protect their own economic interests. Yet the talks did lead the British and American embassies in Tehran to produce a joint assessment of the situation that owed more to British than American thinking. It predicted Mossadegh's continued ability to forestall economic collapse, at least in the short run, questioned the chances of the Tudeh's assumption of power, and doubted that Mossadegh could woo the army from its traditional loyalty to the shah. Iran's failure to obtain aid from the Soviet Union and Mossadegh's continued intransigence on the oil question had pushed American thinking on Iran more into line with Britain's. In the coming months the two nations' policies, while falling short of total unanimity, would become closer still, eventually resulting in a joint Anglo-American approach to Mossadegh in late summer. Meanwhile, British and American leaders looked to the IBRD for settlement of the oil crisis.18

As we saw in the previous chapter, the IBRD had decided in December to send a team to Tehran to seek an oil settlement with Mossadegh. This mission, which consisted of Hector Prud'homme and Torkild Rieber, had arrived on 31 December. Not empowered formally to negotiate with Mossadegh, Prud'homme and Rieber were instructed only to determine the prime minister's receptiveness to the plan the IBRD had earlier worked out with the British government and the AIOC. Under this plan, the bank would engage a neutral agency to operate the Iranian oil industry, purchase Iranian oil at an undetermined yet competitive price, and market the oil through British channels. This arrangement, which was to remain in effect for two years, called for an equal division of oil proceeds among
Iran, the managing agency, and an escrow account to cover the compensation terms of a final settlement. Although the IBRD realized that British control of the managing agency was impossible, it was convinced that the technicians needed to run the Iranian operations, especially the Abadan refinery, could only be obtained from the AIOC.19

The return of British technicians to Iran, along with the question of price, posed potential sticking points to Mossadegh’s acceptance of the plan. Nor were they the only problems, as Prud’homme and Rieber learned at a meeting with the prime minister on New Year’s Day. The bank, Mossadegh said, would have to provide the capital necessary to restart oil operations and would have to retain an unspecified percentage of the profits for payment of possible claims by the AIOC. All other proceeds would go to Iran, which would provide free oil to the British in lieu of direct cash compensation but would only sell oil at a discount to non-British firms. Finally, no British nationals or former AIOC employees could work in the Iranian oil industry under any circumstances. All of these points, Mossadegh maintained, had been agreed during his November meeting with bank officials in Washington and were nonnegotiable.20

Mossadegh’s demands, which constituted something of a regression from the stance he had taken in his talks with McGhee the previous autumn, shocked Prud’homme and Rieber, who frantically sought to placate the prime minister. To this end, they cosmetically altered their yet undelivered proposals, deleting the reference to established "British" distribution channels and the stipulation that the bank would be free to hire technicians of any nationality. These concessions, however, were not sufficient to assuage Mossadegh, who rejected the bank’s plan on 3 January and issued the terms of what he considered a fair arrangement. To the points he had demanded earlier, Mossadegh now added the requirement that the IBRD operate the oil industry on behalf of Iran alone. Because the British had
refused to purchase nationalized Iranian oil, Mossadegh reasoned, they had refunded any interest in the Iranian oil industry and could not be a party to any settlement the IBRD might arrange. Nor could they receive any more from oil operations than the percentage of profits set aside for compensation to the AIOC. Iran was to receive all other oil revenues and was to control the oil industry's day-to-day operations. These were the sine qua nons of any settlement, Mossadegh asserted, because they were Iran's only guarantees against renewed British domination of its oil industry. The IBRD's support for any other arrangements, he concluded, would prove that it was acting as an instrument of British policy.21

Disappointed by Mossadegh's response, but not disheartened, Prud'huihomme and Rieber decided to leave Tehran for further consultations with Anglo-American officials and with the IBRD's vice president, Robert L. Garner. These talks, they hoped, would yield some basis for concessions to the prime minister's point of view, especially now that the Anglo-American discussions in Washington had revealed the importance that both sides placed on settling the Iranian crisis. In the meantime, they assured Mossadegh that the bank would soon send a formal delegation to Tehran to conduct actual negotiations. Although Mossadegh acquiesced, he held firmly to his position regarding the return of British technicians, the division of oil profits, and the authority behind the bank's intervention in Iran. Unless these demands were met, the prime minister declared, there could be no deal.22

Prud'huihomme and Rieber's initial discussions with British officials gave little hope of concessions to Mossadegh's position. Policymakers in the Foreign Office with whom Prud'huihomme and Rieber consulted seemed reluctant to comply with recent American exhortations for flexibility. They would not allow the prime minister to exclude the British from the Iranian oil industry, as this would encourage other nations to adopt similarly discriminatory policies and thereby jeopardize Britain's international standing. Nor would they accept the idea that the bank was
acting solely on Iran's behalf. This was a practical matter, as it threatened Britain's legal rights and might prejudice its case against Iran before the ICJ. Finally, British officials insisted that the IBRD have ultimate responsibility for the oil industry's management, because only then could they be assured of efficient and effective operations.23

These British demands ran counter to American thinking, which emphasized the dangers that would result from a breakdown of the IBRD's negotiations before the British had formulated an alternate proposal. Officials in the State Department doubted that the Iranians would agree to any scheme that did not give them at least a say in the oil industry's management or that entailed the immediate return of British technicians. They also clung to the belief, expressed during the recent Washington talks, that a permanent oil settlement was better than a temporary one. This was surely Mossadegh's preference, they said, and it was also the course most likely to quell political tensions in Iran, to which the State Department "attached the utmost importance."24

At the heart of Anglo-American differences over the IBRD mission was the extent to which the bank should go to secure agreement with Mossadegh. The Americans, who still worried that Iran's economy was heading into a tailspin, would grant the IBRD wide flexibility in negotiating with Mossadegh. They introduced plan after plan in hopes of finding something that the British would accept, even going so far as to propose that the IBRD purchase the oil stocks stored at Abadan at 50 percent below prevailing prices. This would kill several birds with one stone, or so the State Department argued: It would keep the oil out of Soviet hands, provide Mossadegh with much-needed revenues, contribute to economic and political stability in Iran, and buy time for discussion of a permanent settlement.25

British policymakers, though, would have nothing of the stock-buying plan, which Roger Makins sarcastically called "another bright idea" from the Americans.
From their point of view, the proposal had numerous drawbacks. It would involve a costly rerouting of tankers; challenge the AIOC’s boycott of Iranian oil; encourage the Iranians to constantly refill the storage tanks; and charge the AIOC twice for the same oil. The fact that the State Department had even considered such a "preposterous proposal" aroused British fears about the real goals of American policy. Continued insistence on British concessions to Mossadegh suggested that the United States valued Iran's position over Britain's and that it might go "off on a tangent of [its] own." Certain that the Americans were pursuing a misguided course of action in Iran, Whitehall offered the State Department a simple choice: an effective British ally the world over or a collapse in Iran, which it did not think would happen. According to the British, American policy in Iran was rapidly undermining the chances of achieving the first alternative.26

Officials in Washington quickly took the defensive. Reiterating the points they had made during the recent Washington and London talks, American leaders sought to reassure the British that the United States valued Britain more than Iran, that it depended on a "strong and viable Britain" for the achievement of Western aims throughout the Middle East, and that it was not trying to placate Mossadegh at Britain’s expense. Nor could there be any doubt that American leaders placed as much importance on the development of a common Anglo-American policy toward Iran as their British counterparts. Unwilling to allow a minor disagreement over IBRD tactics to disrupt overall Anglo-American harmony, the Americans allowed Whitehall to determine the final terms of the bank’s mission to Tehran. Garner was to be authorized only to reiterate the terms of the IBRD’s original proposals. He would have some flexibility on the question of management, but was not to concede complete control to the Iranians. No other concessions were possible, and no other proposals would be forthcoming.27

If the Foreign Office's guidelines to the IBRD held out little hope for a
settlement, neither did the bank's second round of discussions with Mossadegh, which quickly dissolved into stalemate. The prime minister had not changed his stance on any of the important questions. He still refused to allow the return of British technicians, because neither public opinion nor his own nationalism would permit it. He still objected to the bank's plan to sell Iranian oil at large discounts over prevailing prices, because this would deprive Iran of much-needed and much-deserved revenues. And he still insisted that Britain could not share in the industry's profits, because the Nationalization Law specifically prescribed that all oil revenues, save that portion set aside to compensate the AIOC, should accrue to the Iranian government. In addition, Mossadegh repeated with more force the point he had made earlier to Prud'homme and Rieber: The IBRD must agree to operate the Iranian industry on behalf of Iran alone. In other words, the IBRD must abandon all pretense of playing the role of an intermediary and act purely as Iran's agent. Although Garner thought that Mossadegh's demands amounted to an "unrealistic and purely political approach to the problem," he still believed that a negotiated solution was possible.28

Garner's hopes received an unexpected boost from several influential Iranian senators, who began pressuring the prime minister to resolve the oil crisis. After the Sixteenth Majlis ceased effectively to function, Mossadegh's opponents had concentrated their efforts on the Senate, Iran's only functioning legislative body. Their efforts finally began to pay off when many senators came to recognize the inherent incompatibility between their own political and economic interests and the success of Mossadegh's nationalist campaign. From its creation in 1949, the Senate had opposed movements such as Mossadegh's National Front, because they challenged the position of the ruling elite that dominated the upper house. This opposition intensified as early election results for the Seventeenth Majlis indicated gains for the National Front and suggested that Mossadegh might eventually
become strong enough to actually dissolve the Senate. To save their political positions and to stave off a full-scale social revolution, leading senators for the first time condemned Mossadegh's reluctance to reach an oil settlement. The prime minister, these senators said, was more interested in protecting his own "personal prestige" than in doing what was best for Iran. In meetings with Garner and Henderson they pledged to support any "reasonable [oil] proposals," "even though they might be disappointing to [the Iranian] public." The Senate's intervention, which constituted the first time that any "responsible political body" had opposed Mossadegh, assumed even more significance given the effective dissolution of the Majlis in January.29

With the Senate's unprecedented criticism shaking Mossadegh's confidence, the IBRD delegation launched an intensive education campaign designed to change the prime minister's mind on crucial matters. It would be impossible, they argued, to find enough qualified non-British technicians to run the Iranian industry at even a fraction of its former capacity. And even if non-British technicians could be found, the bank was an international agency and could not be told whom to hire. In addition, it was unrealistic for Mossadegh to expect to sell large quantities of undiscounted oil. This would only keep Iranian oil from being competitive in world markets, the bank's delegation asserted, and encourage purchasers to seek lower-priced oil from other sources. While standing firm on these points, Garner did agree to yield on the question of the division of profits, now proposing that they be split between Iran and an escrow account that would be used to fulfill the compensation terms of a final settlement.30

On 17 February, in a desperate effort to show some progress toward a settlement, Garner sought Mossadegh's concurrence in an aide-mémoire. More a general statement of principles than a blueprint for resolution of the oil crisis, this document basically repeated the proposal that Prud'homme and Rieber had put
before Mossadegh in January. The bank would operate the Iranian oil industry on a
nonprofit basis for a period of two years. It would be free to select both a neutral
"top executive group" to manage that industry and the necessary foreign technicians
to run it. And it would be free to contract with a bulk purchaser for Iranian oil "on
terms approved by Iran." The document contained only two new provisions: the first
solved the question of the bank's neutrality by allowing it and the Iranian
government to agree to disagree on the issue; the second concerned the new two-
part division of profits to which Garner had agreed earlier.31

Significantly, the aide-mémoire lacked any reference to the bank's
employment of British technicians or to the selling price of Iranian oil, probably
because Garner sought to reach agreement on other issues before tackling these
troublesome questions. But even this cautious strategy fell victim to Mossadegh's
obstructionism, as he proceeded to revise virtually the entire aide-mémoire until he
was satisfied that it safeguarded Iran's national rights. To this end, the prime
minister insisted that the IBRD proclaim its intention to operate the oil industry
exclusively on Iran's behalf. This point had come up in both his discussions with
Prud'homme and Rieber in January and in his recent negotiations with Garner, and
was one on which the prime minister would not budge: Only by operating exclusively
as Iran's agent could the IBRD safeguard Iran's repossession of the AIOC. But this
was also a point that Garner would not accept, because it implied that Britain was
not a party to the oil dispute. In addition, Mossadegh now suggested that the price
Iran received for its oil should be based not on the market price for crude but on the
higher prices paid for refined products. This demand probably stemmed from
Mossadegh's realization that the real profit in the oil industry came from refined
products rather than from the sale of crude oil. Because the Iranians had a refinery,
he seemed to be saying, they should be entitled to profit from its operation.
Although Garner noted both the practical difficulties of using the price of refined
products as the basis for an Iranian settlement and the unlikelihood that the AIOC would accept such a scheme, Mossadegh remained adamant. Impasse on these questions doomed the aide-mémoire, and Garner once again adjourned the talks for further consultations with Anglo-American leaders. He would return, Garner said, as soon as some basis for continued negotiations could be found.32

Garner's discussions with British officials, which revealed some differences between the government and the AIOC, suggested that an agreement might soon be possible. Not unexpectedly, the company refused to accept any arrangement that prevented "prompt return" of substantial numbers of its personnel or that contained commercially unattractive provisions, such as a low discount for bulk purchases of oil. This stubborn attitude angered the U.S. ambassador in London, Walter S. Gifford, who blasted AIOC officials for failing to see "that whatever they get is [a] net gain from their present position." To Gifford and his colleagues in the State Department, the AIOC's apparent attempts to regain its former position in Iran belied its supposed acceptance of Iranian nationalization and threatened to scuttle the entire IBRD mission. Fortunately, thinking in the Foreign Office was more conciliatory. Eden and other policymakers now agreed to do what they could to guarantee the success of the bank's mission, which they saw as the "best and possibly the only opportunity for resuming [oil] operations quickly." Although the desire to reopen Iran's oil industry may have been partly responsible for Whitehall's change of heart, it is more likely that British conciliation stemmed from the realization that continued close relations with the United States hinged on a willingness to make a good faith effort to reach a settlement with Mossadegh.33

This conciliatory mood was evident in the British government's final instructions to the IBRD mission. On the question of the IBRD's authority, the British suggested that the bank's proposals avoid the issue and that both Britain and Iran be free to state that the bank was acting solely on their behalf. This was an
advance over the earlier British position, which had insisted that the bank explicitly state its neutrality. But because the Iranians were unlikely to accept any statement that did not acknowledge their sole ownership of the oil industry, the usefulness of this point for future discussions was minimal. On the question of technicians, Eden and other officials still refused to accept "specific discrimination" against British nationals. They were willing, however, to see the IBRD implement a gradual return of British technicians, which was something Garner and Prud'homme believed Mossadegh could eventually accept. Finally, on the question of oil prices, the British government wished to postpone discussion until agreement had been reached on management and technicians. It was useless to discuss how a settlement would operate, they argued, when the terms of the settlement had not been decided. As an added show of goodwill, the British were prepared to make some kind of statement disavowing any interest in interfering in Iran's internal affairs or in undermining its economic and political independence. Such a message, Garner maintained, would dispel Iranian fears that Britain was trying to resurrect the AIOC.34

As Prud'homme and other officials of the IBRD arrived in Tehran for their third round of talks with Mossadegh in early March, the prime minister faced opposition from a number of sources. The bazaar, once a Mossadegh stronghold, had become "indifferent" toward the prime minister, and the army had become downright "hostile." The Senate continued to condemn Mossadegh's refusal to sign an agreement with the IBRD, as did the government's economic ministers, who feared Iran's imminent collapse. Even the shah spoke against Mossadegh, confessing to Acting British Chargé d'Affaires George H. Middleton that he would give Mossadegh "one last chance to come to an agreement with the Bank." If he failed to do so, it would be necessary for the shah "to make a change" in prime ministers. Predictably, British and American officials hailed these developments,
especially the "first glimmer of hope" that the shah would "intervene in a positive manner," as indications that an oil settlement might actually be possible.35

Hopeful that these political pressures would make Mossadegh more conciliatory, Garner enthusiastically presented the prime minister with Britain's new concessions on technicians and the IBRD's neutrality. His hopes, though, were dashed when Mossadegh vowed "to step aside and let someone else take responsibility [for] Iran's future" rather than accept the return of "any British technicians." Mossadegh's pledge may have been more threat than substance, but it did at least confirm his immovability on the question of technicians. Further evidence of his intransigence came when he demanded that the IBRD retain all existing Iranian oil employees, "whether or not they were actually required by [the] scale of operations." Such a policy would hamper efficient oil operations, Prud'homme argued. British officials agreed. Middleton, for example, tried to convince the shah that it was simply "not within [Britain's] power" to redress Mossadegh's concerns. The United Kingdom, he said, "could not change conditions in the world oil industry or alter the world price of oil" to suit Mossadegh's whims, and the prime minister's insistence that it do so would doom the IBRD's proposals. When subsequent discussions revealed no Iranian movement on "management, technicians, or prices," Prud'homme concluded on 13 March that there was "no possibility of reaching an agreement" with Mossadegh. Three days later, the IBRD mission left Tehran, saying that it would return only if it appeared that "further progress" toward a settlement could be made.36

In his postmission discussions with British leaders in London, Prud'homme hinted at the fundamental obstacle to a satisfactory settlement: the differing backgrounds from which the IBRD and Iran approached the oil crisis. Officials of the IBRD saw the dispute "as an industrial and business matter" and sought to reach a commercially acceptable solution. Their approach was much the same as that
initially taken by the AIOC, which had tried to placate the Iranians with financial inducements such as higher royalties, and was ultimately just as fruitless. The Iranians wanted more than just higher revenues; they also wanted their national independence. For them, the oil crisis was "90 percent political and only 10 percent . . . operational and business." This emphasis on political independence explained Mossadegh's insistence that the IBRD act only on behalf of Iran. Iranian nationalists, he asserted, saw such an admission as the only way to guarantee the inviolability of Iran's dispossession of the AIOC. With both sides approaching the problem from such differing perspectives, it is no wonder that the IBRD mission failed to reach an oil settlement. It is also no wonder that subsequent efforts to resolve the dispute failed as well.37

iv

The period immediately following the IBRD's failure saw the parties to the Iranian dispute taking stock of their past policies and making plans for the future. Policymakers in London had not been "unduly disappointed" by the failure of the IBRD's mission. They assumed that Mossadegh's position had been weakened, perhaps fatally. Opposition to the prime minister now came from a number of sources, and it was possible that he might lose power after the opening of the new Majlis. The Tudeh party had initiated a hostile press campaign against the IBRD's recent missions to Tehran, which it characterized as an unwelcome interference in Iran's internal affairs and one that revealed Mossadegh's subservience to Western interests. The prime minister also faced continuing opposition from the Senate, which saw the growing popularity of the National Front as a threat to its very existence. Even more important, the IBRD negotiations had led to a better Anglo-American understanding on the Iranian question. Both nations agreed that it was impossible to negotiate with Mossadegh and that imminent economic collapse in
Iran was not likely. On the contrary, it was estimated that the government would be able to finance itself through June, "and probably a good deal longer." Anglo-American agreement on these points had resulted from the IBRD's failure and from the recent discussions on Iran in Washington and London. The agreement gave Whitehall reason to expect even closer Anglo-American cooperation in the future.\textsuperscript{38}

To encourage further American support for their position on Iran, British officials sought to demonstrate their sincere interest in settling the oil crisis. They refused to make additional approaches to Mossadegh, but they proclaimed their willingness to negotiate with a new prime minister. The terms of future negotiations remained uncertain.\textsuperscript{39} Although most points, such as management arrangements, selling price, and the length of a new contract, would depend on the attitude of Mossadegh's successor, the Foreign Office continued to insist that no agreement was possible that gave Iran better terms than existed in other countries or than it would have had without nationalization. This point became increasingly important as the AIOC softened the blow of the Iranian shutdown by increasing oil production in other areas, by purchasing oil from American firms, and by constructing additional refineries to replace Abadan. Given these circumstances, the British saw no need to reward Iran's lawlessness by acceding to its demands.\textsuperscript{40}

While British officials were concerned with the immediate situation in Iran, American policymakers were assessing the broader implications of the oil crisis. They were not optimistic. Continuation of the dispute, they argued, made "the probability of losing Iran to the Soviets . . . increasingly imminent." But the danger did not stop there, because the Soviets could be expected in short order to use their newly won Iranian position to move through "the Middle East corridor into India and Africa" and thereby alter the East-West balance of power. In addition to gaining control of valuable territories, the Soviets would also acquire the Middle East's substantial oil resources and thus deny those resources to the Western
European rearmament effort. Oil shortages, rationing, and a weakening of Western Europe would surely result; threats to "the pro-Western alignment" of countries like Italy and France might even be possible.41

In the minds of American policymakers, these dangers dictated a reassessment of the American role in Iran and the entire Middle East. One such study emerged from the Near Eastern Affairs Division of the State Department. Although Britain had traditionally borne the brunt of Middle Eastern defense, the study argued, its declining global position had forced the United States to bear "an increasing share" of that burden and to take "more initiative . . . in the determination of policies relative to the area." The department's Policy Planning Staff echoed these sentiments, saying that America’s NATO commitment to Turkey, which was "geographically, strategically, and militarily a part of the Middle East," made it "directly concerned" with the defense of the region. But given its commitments in Western Europe and its preoccupation with the war in Korea, both agencies seemed to conclude, the United States could do little more in the Middle East than play an advisory role. Indeed, American policymakers seemed to be calling for nothing other than closer Anglo-American cooperation in the determination of Middle Eastern policy, particularly with regard to Iran. In this sense, the latest American reassessments confirmed long-standing beliefs in the State Department rather than producing any real changes in policy.42

Meanwhile, Mossadegh was using the lull in the negotiations with the IBRD to regain the political offensive. To this end, the prime minister renewed his attack on the British. Britain's greed and its desire to dominate Iran, he maintained, had doomed the IBRD's efforts to solve the oil crisis. Although he professed his willingness to resume discussions at any time, provided the IBRD accepted his conditions on the exclusion of British technicians, the nature of the bank's involvement, and the selling price of Iranian oil, the British, he said, were not so
open minded. Instead of pursuing negotiations, Britain was "forc[ing] other countries to join it in suppressing Iran." Foremost among these collaborators, he told a group of newly elected Majlis deputies on 14 April, was the United States, which had supported the AIOC's boycott of Iranian oil and had helped it to locate other petroleum supplies. Yet even in the face of such formidable opposition, the prime minister implored the Iranian people to stand firm. If they caved in to international pressures, they would be following "the road to hell," which analysts at the U.S. embassy assumed meant capitulation to communism.43

To prevent economic collapse and its likely results, Mossadegh renewed his vow to finance the Iranian government without oil revenues. As the American embassy had reported in early April, however, such a course was unlikely to succeed. Iran's prospective budget deficit of more than 5 billion rials was so substantial that it could probably only be met by "substituting the out-put of [the] printing presses for oil revenues," an option Mossadegh refused to consider. Instead, he repeated his pleas for American financial assistance, without which, he feared, "Iran would not exist much longer as [a] country." These gloom-and-doom predictions notwithstanding, American policymakers steadfastly refused to provide Iran with budgetary assistance while there was still a chance to settle the oil dispute; it was clearly their intention to use financial assistance as leverage to force Mossadegh into reaching an oil settlement with the British.44

In late April, however, the Truman administration did agree to resume military aid to Iran, which had been suspended on 8 January. Retreating from his earlier stance that Iran could not be "governed by US legislation," Mossadegh now agreed to satisfy the spirit of the Mutual Security Act. He declared that Iran would "support and defend the principles of the charter of the UN," "defend its freedom and independence" from an outside attack, and "welcome" American military assistance. This was a far cry from the outright declaration of allegiance to the West
required by the Mutual Security Act, but American fears of the consequences of a prolonged denial of military assistance led the State Department to accept it anyway. Nor did it indicate a genuine change of heart on the part of the prime minister, who still objected to aligning Iran with either the West or the East. In actuality, the prime minister's compliance with American requirements stemmed wholly from "direct pressure" by the shah, who was becoming increasingly fascinated with Western military technology. Although the military missions remained in Iran on essentially Mossadegh's terms, the fact that the prime minister had been forced to accept them on any terms gave American policymakers cause to rejoice, for the resumption of military aid had guaranteed Iran's security and weakened Mossadegh's position, however minimally, in one fell swoop. Still, the monies provided under the Mutual Security Program could not help the Iranian government to meet its payroll or other obligations.45

Mossadegh fared no better in the political arena than he did in the economic realm. Of the seventy-nine deputies who were eventually elected to the Seventeenth Majlis, only thirty were staunch supporters of the prime minister. Slightly more than one third were political opportunists who would sell their votes to the highest bidder, about a dozen were unconditionally committed to the shah, and the remainder defied easy categorization. Mossadegh's supporters in the Seventeenth Majlis came primarily from Tehran and other urban centers, such as Tabriz in Azerbaijan. Deputies from the provinces, who oftentimes were elected only because powerful landlords instructed the peasants on how to vote, may have paid lip service to Mossadegh's program but were dedicated to its collapse. The presence of so many opposition deputies called into question Mossadegh's continued domination of the Majlis; when these new developments in the Majlis were coupled with the prime minister's already shaky relationship with the Senate, his position became even more tenuous. Although Mossadegh's opponents were not well organized and
lacked both a coherent political platform and a definite legislative agenda, they did damage the prime minister's position. So did the press, the Tudeh party, and some mullahs and religious figures, who now criticized both Mossadegh's failure to solve the oil crisis and his acceptance of American military aid. Even some of Mossadegh's strongest supporters, among them Ayatollah Kashani and Hossein Makki, allowed personal rivalries to distract them from the National Front's crusade against Britain. As these individuals sought to increase their personal influence in the front, they broke the coalition into numerous contending wings that would eventually split from Mossadegh's centrist faction, thereby contributing to the movement's destruction. Unable to quell rising public violence, the government in late March had declared martial law in Tehran. As Ambassador Henderson reported in early April, however, even this unjustified step was unlikely to restrain Mossadegh's opponents.46

Public displays of opposition to Mossadegh convinced the shah "that steps must be taken in [the] near future to have Mosadeq replaced." This was not the first time that the shah had declared his readiness to move against the prime minister, only later to change his mind. Policymakers in Washington worried that the monarch might again lose his nerve and sought to reinforce his belief that Mossadegh had to be replaced. This was as far as the Americans would go, however. Ambassador Henderson and his colleagues refused to become involved in concrete plans for Mossadegh's removal. Nor would Henderson suggest possible replacements for Mossadegh or guarantee specific amounts of American aid to prop up a new government until an oil settlement could be negotiated.47

Despite their more vociferous opposition to Mossadegh and their conviction that he had to be replaced by a new prime minister, British policymakers were similarly restrained. Although they welcomed the shah's decision to replace Mossadegh, they doubted the monarch's ability to support his words with action.
Recent scholarship suggests that British agents were already working to undermine Mossadegh's government, and it is possible that Whitehall feared that encouraging the shah by revealing the terms of an acceptable oil settlement would jeopardize its own plans against the prime minister.\textsuperscript{48} Besides, Britain's success in replacing Iranian oil had relieved the economic pressure for a prompt settlement of the crisis. With this pressure relieved, the primary incentive became political--to shore up Iran and keep it from collapsing to communism. Whitehall well appreciated the dangers of a Communist takeover in Tehran, but it was not willing to "jeopardize Britain's commercial arrangements [in] neighboring countries and British prestige throughout [the] world" merely to stabilize Iran. For this reason, the British continued to insist that any settlement with Iran not encourage nationalization elsewhere.\textsuperscript{49}

For their part, British policymakers continued to pursue a settlement that fell considerably short of what the Iranians were demanding. The only concession to Iranian nationalism they were willing to make was the admission that the AIOC as such could not regain control of Iranian oil. In the AIOC's place, the British envisioned a multinational managing agency that would operate the oil industry on behalf of the Iranian government. Although British thinking on the character of this multinational agency was not fully developed, it obviously built on the proposals for such an organization that both British and American leaders had made in 1951. Presumably, the British hoped for American participation in the new company, possibly in exchange for British participation in Saudi Arabian oil. But even with multinational operation of the Iranian oil industry, the AIOC was to receive the bulk of Iran's oil to sell on the open market. Moreover, British policymakers still refused to accept either "open discrimination" against British nationals or violation of the fifty-fifty profit-sharing principle. These were crucial points, asserted Sir Donald Fergusson of the Foreign Office, the importance of which the State Department's "backroom boys" simply did not understand.\textsuperscript{50}
Fergusson's criticism notwithstanding, the State Department would not sanction Britain's refusal to compromise. Although the recognition that the AIOC could not return to Iran "greatly enhanced the prospects of a settlement," American officials thought it only the first of what should be many such concessions. In the department's estimation, the consequences of no settlement at all, which included the possible collapse of Iran and the entire Middle East, dictated that the British approach the question of further concessions with an open mind. But no amount of American pleading could elicit from the British either the "substance" of an acceptable oil agreement or the "tactics" by which they hoped to reach one. These were questions that would depend on the nature of the new Iranian government, the British reported. In the meantime, the best they could offer the Americans were promises to remain flexible and to "keep the US fully informed" of their plans.51

As Britain and the United States debated the terms of the oil settlement to be proposed to Mossadegh's successor, the prime minister was preoccupied with the case Britain had lodged against Iran with the International Court of Justice at The Hague. As noted earlier, Britain had officially protested Iran's nationalization of the AIOC in May 1951, and two months later the ICJ had ordered a return to the status quo ante until it could rule on its own competence in the matter. In June 1952 the court finally began hearings on the issue. To demonstrate the importance that Iran attached to nationalization and its respect for the international organization, Mossadegh represented Iran personally before the court.

Like his earlier appearance before the United Nations Security Council, Mossadegh's speech before the ICJ was less an argument about the question at hand--the court's competence--than an attack on Britain and the AIOC. A standing-room-only crowd gathered in the Peace Palace on 9 June to hear the prime minister
denounce British "imperialism," "intimidation," and "threats." Mossadegh justified nationalization as Iran's only recourse against the AIOC, which had become a "state within a state," "running an espionage system," treating its employees "like animals," and keeping Iranians "out of technical posts." Surely the court could not "reproach a small nation" for defending its "financial, economic and industrial life" against Britain's "crafty attack." Mossadegh was confident that the court would decide that it had no jurisdiction over the nationalization case, and that such a decision would then remove the obstacles to the sale of Iranian oil on the open market and hasten a negotiated settlement with the British.52

Subsequent statements by Iranian counsel Henri Rolin and British lawyers Sir Eric Beckett and Sir Lionel Heald addressed the question of the ICJ's competence. Professor Rolin's case was based on the specific language of the ICJ's original declaration, which Iran had ratified on 19 September 1932. According to Rolin, Iran only recognized the court's jurisdiction in disputes surrounding treaties or conventions signed after the date on which Iran had ratified the declaration. This line of argument negated the court's jurisdiction on two counts. First, the court had no authority over a dispute that stemmed not from a treaty or convention between governments but from a commercial agreement between a government and a private company. Second, the court did not have jurisdiction in a dispute that involved the D'Arcy concession agreement of 1901, because the signing of that agreement predated Iran's acceptance of the ICJ's convention. Beckett and Heald disagreed on both counts. In their minds, the court's competence extended to all disputes that arose after signing of the declaration, no matter when the particular treaty or convention had been negotiated. Thus, Iran's nationalization violated not only the treaties of 1857 and 1903 between the two nations but also the AIOC's 1933 concession agreement, which the British interpreted as both a commercial agreement between the company and Iran and as a treaty between the British and
Iranian governments. After both sides had presented their cases, the court adjourned for deliberations and Mossadegh returned to Tehran—but only after restating his belief that an ICJ ruling in Iran’s favor would end Britain’s boycott of Iranian oil and allow the nation to enjoy the fruits of nationalization.53

Even while the ICJ hearings were in progress, Iran moved to break the boycott on its own. In mid-June a 632-ton Panamanian freighter the *Rose Mary*, "flying the Honduran flag, chartered to a Swiss company, commanded by an Italian . . . and consigned to an Italian company," the *Ente Petrolifero Italia Medio-oriente* (EPIM), had loaded one thousand tons of Iranian oil at the Persian Gulf port of Bandar Mashur. This was "an experimental voyage" designed to test the strength of the AIOC’s boycott. If it succeeded, the EPIM planned to send larger tankers to Iran to fulfill a ten-year contract for the purchase of twenty million tons of Iranian oil. The *Rose Mary* was only the first of many ships that would soon transport Iranian oil, Mossadegh proclaimed, and there was nothing the British could do to stop them.54

Mossadegh’s optimism was misplaced. On 17 June, British naval vessels forced the *Rose Mary* into the British-controlled port of Aden, where local authorities promptly impounded its cargo. The AIOC then instituted legal proceedings against everyone associated with the tanker’s activities—its owners, captain, charterer, and the EPIM. Although the dispute over the true ownership of the *Rose Mary*’s cargo dragged on for months, the fact that the ship had been stopped in a territory under British control foretold the outcome. The *Rose Mary* case was a triumph for the British, for it upheld the legality of the AIOC’s claims to Iranian oil. Yet it also contributed to the deterioration of Anglo-Iranian relations, further widening the gap between the two nations and delaying settlement of the oil question.55

When Mossadegh returned from The Hague on 24 June, however, the *Rose Mary* episode still looked like an Iranian victory and the prime minister sought to
use it, and his apparent success before the ICJ, to line up public support for his
government. Ostensibly to thwart those "foreign agents" who sought to destroy his
government but actually to prevent his opponents from winning election, Mossadegh
exercised his legal right as prime minister to halt elections for the Seventeenth
Majlis once a majority of deputies had been elected. Ultimately, only 79 of a
projected total of 136 deputies were selected. He then asked the newly elected
depuities to organize themselves at once so that they could get on with the business
of defending Iran's rights against the British. As per usual procedure, Mossadegh
submitted his resignation but agreed to remain on as prime minister if the Senate
and Majlis pledged "in advance to adopt all emergency [financial] measures" he
might propose. When the shah balked at Mossadegh's request, it appeared that the
prime minister would at last go down to defeat. Despite his earlier decision to
remove Mossadegh from office, however, the shah again vacillated. He left the
responsibility for instituting a change in governments with the Senate and Majlis,
indicating only that if they decided to replace Mossadegh he would not oppose
them.56

The shah's failure to take a firm stand against Mossadegh virtually guaranteed
the prime minister's reinstatement. Despite the election of one of Mossadegh's
staunchest critics, Hasan Imami, as speaker of the Majlis, Mossadegh received a
vote of inclination from that body on 6 July. Of the sixty-three deputies present,
fifty-two voted for the prime minister, while ten abstained. The vote surprised both
the shah and Anglo-American officials, who had anticipated the prime minister's
defeat, and was widely interpreted as stemming from both the shah's lack of
leadership and the opposition's reluctance to come out against Mossadegh,
especially while the ICJ was still debating its jurisdiction over the oil dispute. The
Senate, always more resolute in its opposition to Mossadegh than the Majlis, first
refused to reappoint Mossadegh until it had examined his program and then decided
to vote on his reappointment without actually giving him a vote of confidence.
Accordingly, fourteen of thirty-six senators present voted to reconfirm Mossadegh's appointment as prime minister; nineteen others abstained. The Senate's fears that Mossadegh would call for its dissolution, coupled with its anger at the government's suspension of the elections, accounted for the weak show of support for Mossadegh. Indeed, if the shah had not ordered his senatorial appointees to vote for Mossadegh, the outcome would likely have been very different. On 10 July the shah had no choice but to ask Mossadegh to form a new government.57

Mossadegh initially indicated his willingness to remain prime minister, but said that he would do so only under certain conditions. When presenting his legislative program to the Majlis, Mossadegh repeated an earlier demand for unlimited plenary powers in "financial, economic and banking affairs" for a period of six months. Without these measures, he argued, he would be unable to solve Iran's mounting economic difficulties, and if the Majlis refused to approve them he would return the shah's mandate. In the four days of frantic political discussion that followed, it became clear that Mossadegh's supporters would have a hard time pushing the measure through the Majlis. It also became clear that Mossadegh was after more than merely unprecedented financial and economic powers: He also wished to become minister of war in his own cabinet. In justifying this demand, Mossadegh said that by granting him such power the shah would prove his faith in Mossadegh's ability to govern. But this argument was only partially true. Far more important was the fact that this step, along with the granting of extraordinary economic powers, would have enhanced Mossadegh's powers at the expense of the shah—a fact that grew in importance as the prime minister's domestic opponents continued to multiply. When the shah, who could not accept a prime minister stronger than he was, refused to accede to Mossadegh's demands, the prime minister resigned on 17 July. Faced with opposition to his bill for plenary powers and to his appointment as
defense minister from the shah and from both houses of parliament, resignation presented Mossadegh with the best of all possible worlds. It prevented him from becoming an ineffective and powerless prime minister while preserving his chance to return triumphantly to office at a later date. As Mossadegh's successor the shah immediately appointed Ahmad Qavam, whose two previous terms as prime minister had included service during the tumultuous confrontations with the Soviet Union in 1946 and 1947. Speaker of the Majlis Irmani and members of the royal family considered Qavam Iran's only hope, as did Ambassador Henderson and Chargé d'Affaires Middleton. A hastily called session of the Majlis, which lacked a quorum when only forty-two of the seventy-nine deputies showed up, nevertheless gave Qavam a vote of inclination, and Iran embarked on its first post-Mossadegh government. Anglo-American leaders were quick to support the new prime minister, both verbally and financially. The British immediately indicated their readiness to reopen direct discussions on the oil question, and the Americans announced plans for a substantial grant of financial assistance.

This support notwithstanding, several factors immediately combined to threaten the new government's existence. First, the presence of at least thirty pro-Mossadegh deputies in the Majlis would hamper Qavam's ability to accomplish his legislative agenda, which included resolution of the oil question. Indeed, the government would have difficulty getting anything done, as Mossadegh's supporters pledged to boycott the Majlis until his reinstatement. Second, Qavam aroused popular indignation by supporting concessions on the nationalization issue and calling for the separation of religion and politics. His intentions with regard to the latter matter were especially unwise, owing to the increasing influence of mullahs and other religious figures in all facets of Iranian life. Finally, the shah refused publicly to support the new prime minister. Probably because he feared for his own
position, the monarch refused to invoke his constitutional right to dissolve the Majlis, despite the pleas of Qavam and his supporters that only dissolution of the obstructionist and pro-Mossadegh Majlis would enable the new prime minister to govern effectively. In the shah's mind, dissolution would involve him too deeply in politics, pit him against the growing nationalist movement, and undermine his position. The shah also rejected Qavam's call for the imposition of martial law, which would have allowed the prime minister to arrest the National Front's leaders, whose interference in political affairs was already challenging his regime. The shah did not think the situation merited martial law, nor did he wish to be accused of assisting opposition assaults on Mossadegh and other members of the nationalist movement. As a result, Qavam seemed caught in an unmanageable situation: He could not win the shah’s support unless he demonstrated his ability to govern and contained the National Front. But he could do neither without the prior support of the shah.60

In any event, Qavam did not have long to ponder his dilemma. On 21 July, Tehran erupted in massive antigovernment demonstrations instigated by Mossadegh's supporters in the Majlis and fueled by Ayatollah Kashani's exhortations that the struggle against Qavam constituted a holy war. The National Front saw this as a struggle for its very existence and stopped at nothing to win, even resorting to a tacit alliance with the Tudeh party. This temporary truce between the two groups did not mean that they had permanently settled their differences. On the contrary, it amounted to a marriage of convenience against a common enemy: Qavam. After a day of bloody fighting that resulted in numerous casualties, Qavam unceremoniously resigned. With no other option, the shah was forced to ask Mossadegh to return to office, virtually on his own terms. This was a significant victory for the National Front, which had defeated the shah and his supporters in a head on confrontation. The "30th Tir Episode," as the uprising is popularly called in
Iran, stemmed from both the shah's refusal to support Qavam and from the National Front's skillfulness in portraying Qavam's weakness as likely to lead to a return of foreign domination to Iran. Because both the British and the Americans had supported Qavam, the episode steeled Mossadegh's position on the oil question and further delayed a settlement.61

The prime minister's uncompromising attitude was further strengthened just one day after his triumphant return to office, when the ICJ ruled nine to five in Iran's favor. After concluding that Iran clearly intended to base the ICJ's authority on treaties or other agreements that postdated its ratification of the ICJ's declaration, the court ruled that the 1857 and 1903 treaties were not applicable to the case. It also denied that the AIOC's 1933 concession agreement was a treaty between the British and Iranian governments, which meant that the British government itself was not a party to the oil dispute. Unable to find any basis for its intervention in the nationalization case, the court declared itself without competence and withdrew its July 1951 injunction.

The Iranian people generally considered the ICJ decision a victory for Mossadegh, especially coming as it did on the heels of his reappointment as prime minister. It was popularly perceived as a vindication of Iran's sovereign right to nationalize the AIOC and as a legal deathblow to the British boycott. Indeed, the decision prompted a number of prospective purchasers to follow the EPIM's lead in sending tankers to Abadan to pick up previously purchased oil. The Iranian people were overjoyed, sending telegrams and letters to Tehran and declaring a public holiday to celebrate Mossadegh's victory. But like Iran's apparent "victory" before the Security Council, the ICJ decision rang hollow for Mossadegh and his supporters. Britain did not respond by dropping its boycott of Iranian oil, nor did it
seem any more willing to make concessions to Mossadegh's demands on the oil front. In truth, the court's decision, along with Mossadegh's return to office, inaugurated an increasingly acrimonious phase of the oil dispute. Buoyed by these developments, Mossadegh became even more convinced of the righteousness of his campaign against the AIOC and more determined to see that campaign completed.
NOTES

1Acheson, Present at the Creation, 679.


3See Middleton to Bowker, 4 January 1952, FO 371, 98618/EP1051/8; Office of Intelligence Research, OIR-5735, "Mosadeq and the Current Iranian Elections," 10 January 1952; Azimi, Crisis of Democracy, 275-77; and Zabih, Mossadegh Era, 33-34.


5Henderson tel. 2549 to State Department, 9 January 1952, RG 59, 888.2553/1-952. See also Shepherd tel. 18 to FO, 9 January 1952, FO 371, 98618/EP1051/2; Shepherd tel. 19 to FO, 9 January 1952, FO 371, 98618/EP1051/3; FO tel. 25 to British embassy, Tehran, 10 January 1952, FO 371, 98618/EP1051/3; FO tel. 29 to British embassy, Tehran, 10 January 1952, FO 371, 98618/EP1051/4; Richards dispatch 809 to State Department, 15 January 1952, RG 59, 641.88/1-1552; Melbourne (first secretary, American embassy, Tehran) dispatch 896 to State Department, 7 February 1952, RG 59, 641.88/2-752; and Azimi, Crisis of Democracy.

6In addition to the sources cited in the preceding note see Henderson tel. 2670 to State Department, 17 January 1952, RG 59, 788.99/1-1752; and Azimi, Crisis of Democracy, 276.


10Memorandum of meeting between the foreign ministers of the United States and the United Kingdom, 9 January 1952, FRUS, 1952-1954 10:311-20. See also Acheson tel. 1624 to American embassy, Tehran, 7 February 1952, RG 59, 641.88/2-752.


20 Ibid., 604.


Franks tel. 100 to FO, 10 January 1952, FO 371, 98647/EP1531/21; Henderson tel. 2598 to State Department, 12 January 1952, RG 59, 888.2553/1-1252; and Graves, "The Bank as International Mediator," 605-6.


28 Middleton tel. 161 to FO, 13 February 1952, FO 371, 98647/EP1531/36. See also Henderson tel. 3123 to State Department, 16 February 1952, RG 59, 888.2553/2-1652; Henderson tel. 3139 to State Department, 17 February 1952, RG 59, 888.2553/2-752; and Middleton tel. 167 to FO, 17 February 1952, FO 371, 98647/EP1531/38. This and the succeeding paragraphs are also based on Graves, "The Bank as International Mediator," 607-9.

29 Henderson tel. 3141 to State Department, 17 February 1952, RG 59, 888.2553/2-1752; Ross minute, 18 February 1952, FO 371, 98648/EP1531/51. See also Henderson tel. 3123 to State Department, 16 February 1952, RG 59, 888.2553/2-1652; Henderson tel. 3124 to State Department, 16 February 1952, RG 59, 788.00/2-1852; Ramsbotham memorandum of meeting with Garner, 21 February 1952, FO 371, 98648/EP1531/57; and Azimi, Crisis of Democracy, 278.


31 Henderson tel. to State Department, 17 February 1952, FRUS, 1952-1954 10:354-55. See also Henderson tel. 3123 to State Department, 16 February 1952, RG 59, 888.2553/2-1652.

33Gifford tel. 3663 to State Department, 23 February 1952, RG 59, 888.2553/2-2352; Middleton tel. 213 to FO, 5 March 1952, FO 371, 98649/EP1531/70. See also Ramsbotham memorandum of meeting with Garner, 21 February 1952, FO 371, 98684/EP1531/57; and Gifford tel. 373fr to State Department, 28 February 1952, RG 59, 888.2553/2-2852.


36Henderson tel. 3513 to State Department, 13 March 1952, RG 59, 888.2553/3-1352; Middleton tel. 237 to FO, 12 March 1952, FO 371, 98650/EP1531/87; Middleton letter to Eden, 8 March 1952, FO 371, 98707/EP15317/4; Middleton tel. 239 to FO, 13 March 1952, FO 371, 98650/EP1531/90; Henderson tel. 3540 to State Department, 16 March 1952, RG 59, 888.2553/1652. See also Henderson tel. to State Department, 5 March 1952, FRUS, 1952-1954 10:365-66; Henderson tel. 3417 to State Department, 7 March 1952, RG 59, 888.2553/3-752; Henderson tel. 3421 to State Department, 7 March 1952, RG 59, 888.2553/3-752; and Henderson tel. 3516 to State Department, 14 March 1952, RG 59, 888.2553/3-1452.

37Transcript of proceedings of 27 March 1952 IBRD 38th Special Meeting of Executive Directors, 1 April 1952, T236/3671. See also Middleton tel. 251 to FO, 17 March 1952, FO 371, 98686/EP15314/61; and Franks tel. 775 to FO, 1 April 1952, FO 371, 98687/EP15314/91.


39Ramsbotham minute with attached Persia (Official) Committee paper, 2

40For British policy see Franks tel. 442 to FO, 29 April 1952, FO 371, 98688/EP15314/120; and Franks tel. 450 to FO, 30 April 1952, FO 371, 98688/EP15314/123.


43Carr dispatch 1067, "Monthly Economic Report," 7 April 1952, RG 59, 888.00/4-752; Henderson tel. 3922 to State Department, 14 April 1952, RG 59, 788.00/4-1452; Henderson tel. 3939 to State Department, 15 April 1952, RG 59, 641.88/4-1552.

44Carr dispatch 1067, "Monthly Economic Report," 7 April 1952, RG 59, 888.00/4-752; Henderson tel. 3939 to State Department, 15 April 1952, RG 59, 641.88/4-1552. See also Henderson tel. 3865 to State Department, 10 April 1952, RG 59, 788.00/4-1052; Melbourne dispatch 1077, "The Iranian Political Situation, April 1, 1952," 11 April 1952, RG 59, 788.00/4-1152; and Carr dispatch 1175, "Monthly Economic Report," 6 May 1952, RG 59, 888.00/5-652.


46See Henderson tel. 3861 to State Department, 10 April 1952, RG 59, 788.00/4-1052; Melbourne dispatch 1077, "The Iranian Political Situation, April 1, 1952," 11 April 1952, RG 59, 788.00/4-1152; Henderson tel. 4138 to State Department, 26 April 1952, RG 59, 788.00/4-2652; Office of Intelligence Research, OIR-5881, "Iran: An Estimate of Possible Political Developments," 16 May 1952; Azimi, Crisis of Democracy, 279-80; Cottam, Nationalism in Iran, 100-101; and Zabih, Mossadegh Era, 33-34.

47Henderson tel. to State Department, 28 May 1952, FRUS. 1952-1954 10:384-86. See also Acheson tel. to American embassy, Tehran, 30 May 1952, Henderson tel. to State Department, 6 June 1952, and Henderson tel. to State Department, 13 June 1952, ibid., 386-89, 389-92, 396-400.

48For British activities against Mossadegh's government see Mark J.


52 Philip Clock (secretary, American embassy, The Hague) dispatch 2275, "Dr. Mosadeq's Appearance before the International Court of Justice," 19 June 1952, RG 59, 788.13/6-1952. See also Chapin (The Hague) tel. 1362 to State Department, 17 June 1952, RG 59, 788.13/6-1752; and Chapin tel. 1400 to State Department, 23 June 1952, RG 59, 788.13/6-2352. Mossadegh's speech may be found in ICJ, *Pleadings*, 437-42.

53 See ICJ, *Pleadings*, 445-669; and Chapin tel. 1400 to State Department, 23 June 1952, RG 59, 788.13/6-2352.


57 See Henderson tel. 98 to State Department, 7 July 1952, RG 59, 788.13/7-752; Henderson tel. 108 to State Department, 8 July 1952, RG 59, 788.13/7-852; Gifford tel. 153 to State Department, 9 July 1952, RG 59, 788.13/7-952; and Acheson tel. 262 to American embassy, London, 9 July 1952, RG 59, 788.13/7-952. See also Azimi, *Crisis of Democracy*, 381-86; and Zabih, *Mossadegh Era*, 35-39.

58 Henderson tel. 182 to State Department, 14 July 1952, RG 59, 788.00/7-1452. See also Henderson tel. 251 to State Department, 18 July 1952, RG 59,
788.13/7-1852; Zabih, Mossadegh Era, 39-41; and Azimi, Crisis of Democracy, 286-87.


60 See Henderson tel. 287 to State Department, 20 July 1952, RG 59, 788.00/7-2052; Francis E. Meloy, Jr., memorandum of 9:30 meeting in the secretary's office, 21 July 1952, RG 59, lot 58 D 609; Azimi, Crisis of Democracy, 288-91; and Zabih, Mossadegh Era, 44-48.

61 Henderson tel. 353 to State Department, 23 July 1952, RG 59, 788.00/2-2352; Zabih, Mossadegh Era, 56-64; Azimi, Crisis of Democracy, 290-92.
The six months following Mossadegh's return to office saw no real progress toward an oil settlement. In fact, the chances of an acceptable settlement were less likely in January 1953 than at almost any time since nationalization. Neither Great Britain nor Iran was willing to compromise on key issues: The British continued to insist on retaining some interest in Iran's future oil operations, and the Iranians steadfastly refused to consider such a possibility. By the end of 1952, both sides seemed resigned to leaving the oil dispute unresolved. The AIOC had totally replaced Iranian oil with other sources and had thus lost its economic incentive to reach a settlement with Tehran. And Mossadegh had embarked on a full-scale effort to create an oil-less economy that would terminate Iran's dependence on oil revenues.

Officials in Washington, however, were not willing to abandon the quest for an Iranian settlement. As before, the Truman administration continued to warn of the dangers of a protracted Iranian crisis. It was true that quick action by the American majors had prevented the Iranian shutdown from creating oil shortages in the West. But it was also true that the longer the Iranian crisis dragged on the more likely it was to create economic chaos in Iran and lead other oil-producing countries to nationalize their resources. This second possibility, the Americans argued, was a double-sided danger. It would create additional oil shortages that the Western world "could probably not absorb" and would also provide the Soviets with access to 225
oil reserves that the free world could ill-afford to lose. So concerned was the Truman administration about the situation in Iran that it agreed to subordinate traditional U.S. concerns for antitrust to the national security considerations inherent in achieving an Iranian settlement.¹

Given the dangers of a protracted Iranian crisis, the Truman administration worked tirelessly during its last six months in office to reach a settlement that both Britain and Iran could accept. These efforts constituted the culmination of America’s shift toward a partnership with Britain against Iran, and they set the stage for even closer cooperation between the two allies during the Eisenhower administration. Ultimately, these new efforts fell prey to the mutual Anglo-Iranian antipathy toward any settlement that did not guarantee each side its maximum goals. Truman therefore left office in January 1953 with the crisis still unresolved but with American policy set on a course from which it would not deviate in the years ahead.

Mossadegh’s dramatic return to office in late July and the ICJ’s decision not to intervene in the Anglo-Iranian dispute put the prime minister in a stronger political position than ever before. Assumption of the defense portfolio also strengthened his position vis-à-vis the shah, whose support for Qavam’s ill-fated government had eroded his credibility with the Iranian population. Given the monarch’s declining popularity, Anglo-American policymakers became convinced that he was likely to be a "negligible political factor," if not "a mere figurehead," for the foreseeable future. The same seemed to be true of the Senate and the Majlis. In early August, Mossadegh cajoled both bodies into renewing his plenary powers for another six months. Under this arrangement, the prime minister could govern by decree and the Majlis could do little more than review his conduct. Perhaps most important,
the prime minister's position with the Iranian population had become virtually unassailable. The riots that had restored him to office proved that rather than being "a freak in Persian politics," as Middleton put it, Mossadegh was "the only element of power" in Iran.²

Mossadegh was not without political problems, however. Ayatollah Kashani, who had played a vital role in the prime minister's return to office, now wanted to be compensated for his efforts. He demanded Mossadegh's ear on such significant issues as the oil crisis, which the ayatollah was adamantly opposed to settling, and sought the speakership of the Majlis, a position he secured on 7 August. From that point on, the relationship between Kashani and Mossadegh progressively deteriorated as each struggled to become the most powerful figure in Iranian politics. Other radical elements of the National Front, along with the Tudeh party, also threatened the prime minister. In the immediate aftermath of Mossadegh's return, for example, the Tudeh fomented public opposition to any oil settlement with Western interests. Although Mossadegh was not a Tudeh sympathizer, after the 30th Tir Episode he did nothing to quell the party's rising power and visibility. Richard Cottam has attributed Mossadegh's lackadaisical attitude to his conviction that communism could not be destroyed through government repression and his belief that the Tudeh party, as the party of the Soviet Union, provided a useful counterweight to the British-oriented feudal right. In any event, Mossadegh's reluctance to subdue the party gave American policymakers cause to fear a Communist takeover of his government.³

Analysts in the State Department were also concerned about Iran's economic situation. A crisis seemed just around the corner, particularly after the offer of $26 million in American aid made to Qavam was withdrawn after his loss of power. An insignificant increase in nonoil exports had done nothing to alleviate the government's monthly budget deficit of 300 million rials. Other parts of
Mossadegh's economic program also failed, including his efforts to raise tax revenues by imposing stiffer duties on luxury goods and assessing wealthy landlords at higher rates. Nor did Mossadegh believe that the answer lay in printing more currency, as this would fuel inflation, further weaken the economy, and ultimately benefit the Communists. Under these circumstances, the prime minister was forced to pin his hopes on a successful resolution of the oil crisis, which alone seemed capable of reviving Iran's sagging economy.4

On 25 July, Mossadegh made his first positive suggestion for a possible settlement of the eighteen-month dispute. In a meeting with British Chargé d'Affaires Middleton, he proposed that the compensation question, which he called "the only outstanding point to be settled," should be decided by outside arbitration. Iran and Britain, he said, should each appoint an arbitrator and agree on a third panelist. This trio would hear the claims of both Iran and the AIOC and would determine the amount of Iran's payment to the company. The NIOC would then allow the AIOC to distribute ten million tons of oil annually, an amount that Mossadegh thought likely to generate sufficient income "to balance the budget" and stop "the drift towards [Communist] revolution." To avert an economic crisis in the meantime, the prime minister needed financial assistance from the AIOC and the British government. From the AIOC he wanted the £50 million that its recently released 1951 balance sheet had designated as being due Iran under the unratified supplemental agreement. From the British government he demanded immediate release of Iran's frozen sterling balances, which amounted to £10 million.5

Mossadegh's proposal had serious drawbacks. It provided for neither large-scale oil production nor efficient operation of the oil industry. It would not generate substantial revenues for Iran or supply Britain with significant quantities of sterling oil. In addition, accepting Mossadegh's proposal would strengthen his government by resolving its most pressing problem, the oil crisis. Still, British and American
officials thought that there would "never [be] a better opportunity of reaching a settlement of some kind" and immediately set about assessing the proposal's feasibility.6

Their discussions had not gotten far when Mossadegh abruptly withdrew the offer of arbitration three days later, claiming now that only the Iranian courts could decide the matter of compensation. The prime minister's sudden change of heart probably resulted from pressure by Kashani and other extremists who wanted no accommodation with the West. These radical nationalists may have convinced Mossadegh that the Iranian people would be outraged at the thought of outside arbitration of the oil question, and that their opposition would spell the end of Mossadegh’s prime ministership. Or they may have argued that outside arbitration was a compromise on the Nationalization Laws and might result in the return of the British—a dubious and unlikely proposition, to be sure, but one likely to sway Mossadegh away from arbitration. Whatever its cause, Mossadegh's withdrawal of the offer of arbitration represented a setback for the Anglo-Americans and only confirmed their "doubts about [Mossadegh's] mental stability." Because the prime minister was obviously "not quite sane," the British government appeared to abandon all hope of reaching an agreement with him.7

With Mossadegh unlikely to take another initiative toward a settlement, British and American officials sought other ways of solving the Iranian crisis. One alternative they considered was a coup d'état to replace Mossadegh with a more reasonable prime minister. Policymakers in Whitehall had long believed that this was perhaps the only way to secure an acceptable oil settlement. And by late July certain American officials, including Assistant Secretary of State for Near Eastern, South Asian, and African Affairs Henry A. Byroade, had conceded that the "most unorthodox methods" might be necessary to stop Iran from "going down the drain." The lack of qualified Iranian leadership and the unlikelihood that the shah had the
strength to support a coup, however, forced the National Security Council to conclude in early August that a successful coup would be "practically impossible."  

Instead, American policymakers based their hopes on a new approach to the oil problem itself. Formulated by Secretary of State Dean Acheson and transmitted to the British in an aide-mémoire of 31 July 1952, the American plan consisted of four points: The United States would provide Iran with an immediate grant of $10 million; the AIOC would purchase the oil stored at Abadan at "commercial" prices, "less an appropriate discount"; the arbitration commission that Mossadegh had proposed earlier would decide the amount of compensation due the AIOC; and discussions would begin immediately on permanent arrangements for Iranian oil sales. The American plan was a stop-gap measure designed to shore up the ailing Iranian economy and thus "prevent [the] loss [of] Iran to [the] West" until a final settlement of the oil controversy could be negotiated. Mossadegh might be a weak reed against communism, as the State Department argued, but he was "the least bad of several undesirable alternatives," and disaster was imminent unless something were done to bolster his government. Indeed, the situation in Iran was so "critical" as to prompt a call for a joint presentation of the American proposals to Mossadegh, a course that constituted a sharp departure from the Truman administration's previous reluctance to join hands with the British and signaled a real change of thinking within the State Department.  

On 7 August, Mossadegh surprised Anglo-American officials by offering another proposal himself. This time he suggested that the Iranian government and the AIOC conduct direct negotiations for the determination of compensation. Before these discussions could begin, however, the AIOC had to pay Iran the £50 million owed under the unratified supplemental agreement, the British government had to release all Iranian funds being held by British banks, and the company and the government had to abandon their boycott on the sale of Iranian oil. The limited
nature of Mossadegh's plan, especially the fact that it did not provide for the discussion of long-term sales arrangements, suggests that it was probably motivated by the prime minister's need for money rather than by a genuine desire to achieve a permanent settlement. Still, the proposal did have potential and the British promised to discuss it.10

In the meantime, the British Cabinet had been debating the American proposals of 31 July. Initial reaction was unfavorable. It appeared to the British that in its "anxiety to ward off communism in Persia" the State Department had unfairly slanted the proposals toward Iran. As the American plan stood, they said, the AIOC would be forced to purchase Iranian oil before arbitration, Mossadegh would receive American aid virtually unconditionally, and the British blockade on Iranian oil sales would be scuttled with no guarantee of an acceptable settlement. To prevent these eventualities, the British wanted to link the provisions of the proposal more closely together. U.S. aid, for example, would be contingent on the opening of discussions toward a permanent sales arrangement; oil purchases would be delayed until satisfactory terms of reference for arbitration on compensation had been arranged; and the boycott of Iranian oil would be preserved until "conclusion of a final settlement." These measures, Eden implied, would ensure that Iran followed through with permanent arrangements for the sale and distribution of its oil. In addition, Eden suggested that arbitration should address not only the amount and terms of compensation but also "the amount of wrong the [AIOC] had suffered and [the] means of providing redress," which was another way of saying that the AIOC should be compensated for the loss of its concession as well as for its physical installations in Iran. Specifically, the foreign secretary thought that arbitration should encompass such questions as the validity of both the 1933 concession agreement and the Nine Point Nationalization Law and the future conduct of the oil industry itself. In other words, the British wanted to go beyond the American
proposal for a temporary modus vivendi by suggesting the terms of a permanent settlement.\textsuperscript{11}

Eden's "very rigid position" dismayed American policymakers and raised the specter of an Anglo-American break over Iran. "The only resemblance I could see between the aide memoire we had given to the British Government and Mr. Eden's reply," Secretary Acheson railed, "was that they were both written on paper with a typewriter." In a 12 August message to Eden, Acheson declared that the "stringent" British proposals could not be "accepted either by Mossadegh or by any government that we can expect as a successor to him." Asking the arbitral panel to rule on the validity of the 1933 concession agreement, he said, would be "fatal" to the prospects for a settlement. So would be any expectation that Iran would accede to British wishes concerning the long-term operation of the oil industry; the Iranians, after all, had nationalized their oil industry precisely to gain control of the operation for themselves. President Truman echoed these sentiments in a later message to Prime Minister Churchill. Unless the British accepted the nationalization laws, which had "become as sacred in Iranian eyes as [the] Koran," Truman asserted, Iran would go "down [the] communist drain." If Britain would not work with the United States to prevent this calamity, Truman implied that the latter would take unilateral action.\textsuperscript{12}

Such talk worried British policymakers, who believed that an Anglo-American break "might well mean the end of [British] influence in [Iran] for a long period and have serious repercussions elsewhere." Among the possible consequences of unilateral U.S. action were unconditional American aid to Iran and the eventual erosion of the oil blockade, possibly with Washington's acquiescence. To forestall these unpleasant eventualities, Ambassador Franks advised the Foreign Office to work hard "to convince the Americans that our views on the handling of the oil problem are compatible with our common objective of preventing Communist rule in Persia."\textsuperscript{13}
Prime Minister Churchill did just that in late August, when he assumed control of foreign affairs while foreign secretary Eden recovered from abdominal surgery. A firm believer in the virtues of transatlantic unity, Churchill thought that he and Truman should send a joint telegram to Mossadegh that said simply: "If you Musaddiq will do (A), (B) and (C), we two will do (X), (Y) and (Z)." Although the prime minister was not specific about just what these points would be, Acheson termed the proposal "the first . . . real break in the British position." To be sure, some American officials worried that support for Churchill's proposal would tie the United States "to the umbilical cord of the British Empire" and would give the Iranians the impression that the Anglo-Americans were ganging up on them. But President Truman thought otherwise, and on 24 August agreed to join with Churchill in sending a common message to Mossadegh.14

Having "taken the plunge" toward Anglo-American cooperation, the Americans, in the words of Ambassador Franks, became "agog for action." They lost no time in agreeing to what became the Truman-Churchill proposals. Informally presented to Mossadegh on 28 August by Chargé d'Affaires Middleton and Ambassador Henderson, the proposals repeated Acheson's plan of 31 July but tied the individual provisions more tightly together, as per British requirements. The proposals first called upon Mossadegh to submit the question of compensation to the ICJ and to commence discussions with the AIOC for the distribution of Iranian oil. That having been accomplished, the AIOC would dispose of the oil already in storage at Abadan, the British government would relax restrictions on exports to Iran and on Iran's use of sterling, and the United States would provide Iran with $10 million in immediate economic assistance. Ambassador Henderson and other American officials sorely hoped that the Iranians would accept these terms,
particularly because they offered Iran much-needed assistance at a time when economic pressures threatened to push Mossadegh toward such "radical measures" as the dismissal of government employees and a reduction of the armed forces.\textsuperscript{15}

According to Henderson, however, Mossadegh's initial reaction "was not only negative but to an extent hostile." He saw the Anglo-American plan as a "nefarious snare" to reimpose the 1933 concession agreement on Iran, transform a purely internal dispute into an international one, and negate the nationalization laws. Especially galling were the provisions regarding arbitration and U.S. assistance. If the British insisted on the first point, Mossadegh said, the Iranian government would have to review the AIOC's claims before they could be presented to the ICJ, presumably for the purpose of squelching any attempt to claim compensation for the loss of future profits. Iran, though, would be free to make unlimited claims against the company, including assessments for the losses the country had sustained because of the AIOC's boycott. As to the second point regarding U.S. assistance, Mossadegh thought it "smacked of charity" and was totally unacceptable. Iran wanted only what it deserved, he proclaimed, and had no intention of "going around with a beggar bowl in hand." This explained the prime minister's demand for the £50 million, which he saw as a legitimate claim against the AIOC. Even though the Majlis had never ratified the supplemental agreement, Mossadegh reasoned that that agreement "had superseded the 'de facto' 1933 Agreement and that there could therefore be no question of the legitimacy of [his] claim." Given Mossadegh's opposition to the proposals, Henderson and Middleton decided to postpone official submission until they had consulted with policymakers in Washington and London and Mossadegh had had a chance to cool down. In the meantime, Mossadegh threatened to sever diplomatic relations with Britain if he did not receive immediate financial assistance.\textsuperscript{16}

After extended discussions, Anglo-American officials concluded that
additional concessions to Mossadegh "would merely be submitting to [his] blackmail" and would create the impression "that he had only to make a further scene in order to get everything he wanted." There would be no alterations to the joint proposals, which both the British and the Americans saw as fair and reasonable. Mossadegh, though, continued to believe otherwise and rejected the proposals in a meeting with Henderson and Middleton on 30 August.17

Even then, Anglo-American leaders did not abandon hope of using the Truman-Churchill proposals as the basis for a settlement. Both the Senate and the Majlis were scheduled to discuss the proposals in mid-September, and in the interim American and British officials mounted a propaganda campaign to sway Iranian legislators toward a favorable judgment. The AIOC, they said, had made substantial concessions in agreeing to the Truman-Churchill plan: It had recognized nationalization as a fact and had abandoned its claim to all oil produced in Iran since the promulgation of the nationalization laws. British officials also recruited such "friendly Governments" as India, Iraq, Egypt, France, Belgium, Italy, and the Netherlands to talk up the proposals. As it turned out, however, these efforts had little effect on most Majlis deputies, who were unwilling to defy Mossadegh. Nor did they move the prime minister, who called the Truman-Churchill proposals "not only altogether inequitable, but more severe and impracticable than earlier proposals." On 16 September the Majlis supported Mossadegh's rejection of the Anglo-American démarche; the Senate followed suit one day later.18

While categorically rejecting the Truman-Churchill proposals in a speech to the Majlis, Mossadegh offered his own terms for a settlement, which for the most part merely repeated his earlier demands. Compensation, he said, should be referred to the Iranian courts, where both the AIOC and the Iranian government could submit whatever claims they wished. The ICJ could decide the matter should the AIOC reject the jurisdiction of the Iranian courts, but only if both sides stated
their claims in advance and only if the company limited its claims to the value of its physical properties in Iran and of the oil in storage at Abadan at the time of nationalization. Mossadeq also continued to demand £50 million from the AIOC, which he now insisted be paid in dollars to meet his government's need for convertible currency. The demand for payment from the AIOC, Middleton reported, was the cornerstone of Mossadeq's plan, and it was clear that the latter was "not prepared to talk business until he [got] his £50,000,000."19

The British government found these terms "quite unacceptable." It was "nonsense," the Foreign Office said, for Mossadeq to speak of "his £50 million." Iran had forfeited its claim to this money by rejecting the supplemental agreement, and the government would under no circumstances ask the company to pay up. Besides, the money was no longer available, because the AIOC had used it to defray the cost of replacing Iranian oil. No more realistic was Mossadeq's expectation that the AIOC would surrender its right to claim compensation for losses stemming from the cancellation of its concession, which was valid until 1993. To do so would not only deny the company its rights but also threaten concession agreements everywhere. What Mossadeq offered, Whitehall fumed, were "not so much counter-proposals" as "terms for complete capitulation." Far from indicating a desire to settle the oil dispute, Mossadeq's speech to the Majlis proved his intransigence and steeled British opposition to making any further concessions to his demands.20

As British leaders waited for Iran's formal response to the joint proposals, they sought Washington's support for this hard-line stance. In discussions with American officials they highlighted the unfairness of Mossadeq's demands on the AIOC, emphasizing the importance that Iran not profit from its expropriation of the company. They argued that giving Mossadeq money would not halt the spread of communism in Iran, saying that the recent rise of the Tudeh party stemmed not
from the government’s financial problems but from Mossadegh’s leniency. Most of all, they stressed the necessity of maintaining the joint Anglo-American front against Mossadegh. The United States, they asserted, had already affirmed the fairness of the Truman-Churchill proposals; to urge additional British concessions now would damage Britain’s position in Iran, lead Mossadegh to ever-greater demands, and gravely affect Anglo-American relations. These arguments worked: The Americans promised to stand firm with the British until Mossadegh had formally replied to the Truman-Churchill proposals.21

The British became even more determined to preserve a joint Anglo-American front after Mossadegh’s 24 September reply to the joint proposals proved his intention to split the allies apart. By addressing the British government almost exclusively, the prime minister’s message ignored the joint nature of the Truman-Churchill proposals. It also failed to mention the American offer of financial assistance, probably because Mossadegh had already rejected it.22 Instead, Mossadegh provided what the British termed a "highly partisan" account of the oil dispute, a restatement of the imperfections of the Truman-Churchill proposals, and a reiteration of the counterproposals the prime minister had previously presented to the Majlis. To the British, the response was so "unconciliatory" and "insolent" as to belie Mossadegh’s professed desire to settle the oil dispute. Even worse, it was essentially an ultimatum that gave the British ten days—until 4 October—to accept. Although Mossadegh did not spell out the consequences of failing to do so or of replying unfavorably, Middleton feared that a rupture in diplomatic relations would probably result.23

Despite the seriousness of such a course, British leaders decided immediately to reject Mossadegh’s counterproposals. Financially, they said, Britain could not afford to accept the Iranian conditions. Already engaged in a "critical . . . struggle for solvency," the nation could ill-afford to absorb the £60 million in annual losses
caused by "Persian degradations" against the AIOC, let alone the repercussions to its worldwide economic interests that would stem from its admission that Iran need not compensate the AIOC for the loss of its concession. Nor were the British psychologically inclined to meet Mossadegh's demands even had the money been available. Caving in would have set a dangerous precedent and would fatally weaken Britain's prestige at a time when it was struggling to come to grips with its diminished global position. These factors dictated that Whitehall immediately and categorically reject Mossadegh's counterproposals—preferably in a detailed statement that refuted his claims, highlighted the ludicrousness of his demands, and left no room for misinterpretation.24

The next step for British policymakers was securing American consent to make this a joint endeavor. Anglo-American cooperation in the Truman-Churchill proposals, they said, had already had an effect in Tehran, where Mossadegh was seeing for the first time that he could not play Britain and America against one another. Breaking ranks now and submitting to Mossadegh, Churchill said, would be "disastrous" for Britain's prestige and economic position. It would also do irreparable damage in the United States, for it would mean large-scale American assistance "to bribe [the] Persians . . . not to become Communists." In order to prevent these eventualities, Churchill implored, the Anglo-Americans had to preserve a joint front against Iran.25

American officials, however, were not so sure about the merits of a concerted hard-line stance against Mossadegh. Instead of contributing to a settlement, they feared that American association with such a policy would further erode the U.S. position in Iran, which Henderson thought had theretofore "survived the bicissitudes [sic] of [the] oil problem." They also worried that a peremptory reply to Mossadegh might "close the doors to further discussion" and result in a revolution in which more extreme elements like Kashani could come to power. Given these concerns,
American policymakers decided that under no circumstances could the United States join Britain in a line-by-line rebuttal of Mossadegh's recent treatise. The State Department, however, would not object if Whitehall decided to send such a communique on its own, in which case the American government would merely acknowledge receipt of Mossadegh's message with a press release.26

Churchill, Eden, and other British officials were "most disappointed" with what they termed an "unhelpful American attitude." It "would not do" for the Americans to abandon the British now, as this would only embolden Mossadegh to stiffen his demands. The British, Eden reminded Acheson, had already made significant concessions at Washington's urging; the Americans could not fairly expect them to yield anything else. If Truman would not sign a joint message with Churchill, the Foreign Office suggested "parallel messages maintaining the common position." This was the very minimum necessary to show Mossadegh that he could not split the Anglo-Americans apart, or so the British argued, and to secure Washington's agreement they were willing to scuttle plans for a detailed refutation of the Iranian counterproposals.27

Although Acheson feared that even collaboration of this kind would tar the United States with the British brush and risk the further loss of American prestige in Iran, but Truman overruled him. The importance of the Anglo-American alliance led the president to agree to join Churchill in sending similar but not identical messages to Mossadegh. These messages would seek merely to clarify the joint proposals and make no mention of Iran's counterproposals. In Truman's eyes, this option seemed the best of all possible alternatives. It would prevent the British from sending what the Americans termed an "unnecessarily provocative" point-by-point refutation of Mossadegh's counterproposals; it would refocus attention on the joint proposals themselves; and it would preserve the united Anglo-American front.28
In separate meetings with Mossadegh on 4 October, Middleton and Henderson presented similar notes to the Iranian government. As the British and American governments had agreed, the messages sought to dispel Mossadegh's fears about the joint proposals. They emphasized Anglo-American recognition of "the fact of nationalization," stressed that the two nations in no way intended "to revive the 1933 Concession, or any concession," and ruled out forcing the Iranian government to accept either "foreign management of the oil industry" or a "monopoly purchase of oil." Both messages expressed hope that Mossadegh might accept the Truman-Churchill proposals now that they had been more fully explained, as they were possibly the last chance to settle the oil controversy.29

Mossadegh's initial reaction indicated otherwise. "It was now too late," the prime minister told Middleton, for him to reconsider the proposals. Without the £50 million he had requested, "Persia would soon be dead" and "it was no good negotiating with a dead man." "Events must take their course," he regretfully told the chargé d'affaires, and in an oblique reference to his earlier threat to sever diplomatic relations with Britain, he wished Middleton "success in [his] future career." In a subsequent meeting with Henderson, Mossadegh lamented that the United States had sanctioned Britain's "economic and political" attack on Iran by failing to persuade the British to meet his demand for the £50 million. "The original bad impression made by the joint message," he said, "could not be effaced."30

The prime minister's official responses to the British and American governments reiterated his 24 September counterproposals and thus stalled progress toward a settlement. He gave the AIOC one week to agree to these terms and to send a delegation to Tehran to discuss their implementation. As a show of good faith, and as a means of solving Iran's pressing economic problems, the company was to make available £20 million of the £50 million before the talks began; the remainder was to be paid upon completion of the negotiations, which were expected
to take three weeks. In a veiled reference to his earlier threat to break diplomatic
relations with Britain, Mossadegh stressed the "impossibility of the continuation of
this state of affairs" and denied responsibility for "any eventuality resulting from" his
policies. He also asserted that "the prompt and immediate settlement of this matter
would be a great and important contribution towards insuring the peace and
prosperity of one of the sensitive areas of the world."31

Acheson needed no reminder of the seriousness of the situation. The
possibility of a protracted oil crisis was bad enough, for it threatened the economic
and political stability of Iran and opened the door to Communist expansion
throughout the Middle East. But now the secretary had to deal with the possible
severance of Anglo-Iranian diplomatic relations, which, he declared, "would not
make further negotiations easier." In a desperate effort to keep Mossadegh from
taking precipitate action, Acheson sought a new approach to the oil problem that
abandoned broad principles regarding each side's claims for compensation in favor
of "a simple and arbitrary" lump sum of oil payable over a number of years. This
way, the AIOC might receive compensation for the value of its lost concession
without this fact being specifically mentioned in the settlement. To solve Iran's
economic problems in the meantime, it would receive advances against future oil
sales, which would be made to some unnamed distributing agency "in which British
interests might indirectly be satisfied." The State Department had yet to hammer
out the fine points of such a proposal. But Acheson told the British that unless
something along these lines were offered to Mossadegh soon, the prime minister
would break diplomatic relations with Britain and destroy all chances of ever
settling the dispute. It was therefore important that when the British rejected
Mossadegh's counterproposals, as Acheson agreed they must, they also stress that
"there were further ideas to discuss."32

As had been true throughout the oil crisis, British officials were much less
pessimistic about the Iranian situation than their American counterparts and thus less inclined to placate Mossadegh in order to achieve a settlement. Although they admitted that a severance of relations would be "unhelpful," they doubted that Mossadegh would take this step and preferred to risk it rather than accept the latest American plan, which they considered as "a non-starter" and "not likely to bring about a settlement." The Americans had supported the Truman-Churchill proposals, and they were wrong to expect the British to move beyond them. The British government and the AIOC, the Foreign Office argued, had already made "substantial concessions" to Mossadegh, only to be met by ever-stiffening demands that the Americans now seemed to sanction. The AIOC was not likely to abandon outside arbitration for an arbitrary lump sum of oil; nor did the British government think it should. An award determined by an outside arbitrator would have more authority than one made between governments, and would thus stand less chance of being repudiated or watered down by one of the parties. It was also more likely to be acceptable to the British public and to contain the domestic political damage of an Iranian settlement. Given these facts, the Foreign Office seemed inclined to reject the American proposals, which it doubted Mossadegh would accept in any event. In its view, a "firm" stand against Mossadegh still held the best chance of encouraging "more realistic Persian elements to counsel moderation."33

Whitehall's adherence to the Truman-Churchill proposals even in the face of certain Iranian rejection prompted renewed threats of unilateral American action from the State Department. If nothing else, the department thought that it might have to provide Iran with financial assistance to keep the government afloat. But because this was really not the department's preferred course of action, Acheson sought to forestall it by sending PPS director Paul Nitze to London for another round of direct negotiations with the British.34

On 14 October, meanwhile, the British government replied to Mossadegh's
counterproposals, which it found "unreasonable and unacceptable." The prime minister, Eden said, could not limit the scope of the AIOC's claims for compensation to only the value of its physical facilities in Iran. If the ICJ ruled that this was all that the company was due, the British would accept that decision. But under no circumstances would they surrender their right to claim payment for the loss of the company's concession in advance of arbitration. Nor would they agree to compensate Iran for losses incurred as a result of the AIOC's boycott. The company was merely exercising its legal rights in defending the oil, which it regarded as its property, and the British government indicated its intention to continue supporting the company's efforts. Eden totally dismissed Mossadegh's "fictitious" claim to the £50 million that Iran would have received at the end of 1951 had it ratified the supplemental agreement. The British government, he said, was not prepared to even "entertain this request," particularly when Mossadegh sought at the same time to limit the AIOC's right to claim just compensation for its losses. Finally, the foreign secretary reiterated the points he had made in his message of 4 October, especially the fact that the British recognized Iranian nationalization, had no desire to reimpose the 1933 concession agreement on Iran, and still hoped to use the Truman-Churchill proposals as the basis for future discussions.35

Political forces within Iran would not have allowed Mossadegh to accept the Anglo-American proposals even if he had been inclined to do so, which was far from the case. As the Iranian ambassador to the United States had earlier told officials in Washington, Mossadegh was "a prisoner of the situation" in Iran, where he "was constantly under pressure to take some 'desperate' action." His internal political position had "weakened considerably" since his return to office in July. According to Eden, it was "becoming clear, even to the ignorant people, that Musaddiq [was] incapable of constructive action." His decline was coupled with the rising power of Ayatollah Kashani and other radical elements in the National Front, who
consistently opposed all efforts to solve the oil crisis. In the wake of Eden’s note of 14 October, they pressed Mossadegh to make good on his threat to sever diplomatic relations with Britain, and there seemed little chance that he could renege on his pledge. On the contrary, in a radio address of 16 October, Mossadegh announced that in light of Britain’s unfriendly attitude, continued relations between it and Iran were futile and would be broken off.\textsuperscript{36}

Because Mossadegh outlined no specific timetable for doing so, Ambassador Henderson made one last pitch to avert disaster. On the eighteenth, he told the prime minister that the United States was considering new solutions to the oil dispute. Would Mossadegh be willing to postpone the severance of relations until these ideas had been finalized? As a gesture of friendship toward the United States, Mossadegh agreed to delay a formal announcement until 22 October, thus giving the Americans four days in which to formulate a new plan.\textsuperscript{37}

Mossadegh’s deadline gave added importance to Nitze’s mission to London. Originally intended more closely to align Anglo-American policy, the talks now became an eleventh-hour search for a new approach to the oil problem. Despite numerous discussions with both government officials and representatives of the AIOC, however, Nitze was unable to secure agreement on a new proposal. The British clung steadfastly to the idea of arbitration and refused to accept a lump-sum settlement. They denounced Nitze’s estimation that compensation on the order of thirty to fifty million tons of oil might be appropriate, saying that this amounted to a maximum of only £250 million, represented only about two years of Iran’s past production, and was clearly insufficient. To their way of thinking, the AIOC was entitled to much more. They also questioned the soundness of restarting Iran’s oil industry at the expense of countries like Iraq and Kuwait. These countries had honored their concessionary contracts with the AIOC and had helped the company to replace its lost Iranian production, and it would not be fair to penalize them for
Because the British were so determined that Iran not profit at the expense of other nations, they could not accept the newest American proposals. "Mossadegh has slapped our faces (ours and America's)" by rejecting the Truman-Churchill proposals, they intoned; to so quickly replace those proposals with others would merely encourage him to commit further depradations against Britain and fatally weaken British and American positions throughout the Middle East. As the British saw it, the new American plan stemmed from "internal political considerations," namely the Truman administration's desire to settle the oil crisis before the 4 November presidential election, was "bad in principle, dangerous in its repercussions and impracticable," and should not be mentioned to the Iranians. In its place they proposed a two-phase settlement that resembled the Truman-Churchill proposals. Under this proposal, Iran would agree to outside arbitration on compensation and this would be followed by talks on the distribution of Iranian oil. Nitze doubted Mossadegh's ability to accept such a proposal. But in the interests of Anglo-American unity, he promised to present the British scheme to his colleagues in Washington.39

As British and American officials debated the terms of an oil settlement, Mossadegh escalated the crisis by severing diplomatic relations with Great Britain on 22 October.40 According to Hossein Ala, Iran's minister of court, Mossadegh's primary motivation for breaking relations was "to justify [the] severe measures of economy which would shortly be forced upon the country." In other words, the prime minister apparently believed that the Iranian people would be more likely to accept stricter austerity measures if they went hand-in-hand with the expulsion of Britain's diplomats. If the severance of diplomatic relations with Britain was
designed to strengthen Mossadegh's position with the masses, however, it did not have the same effect with members of the Senate, many of whom feared that expelling the British would endanger Iran's traditional diplomatic pattern of playing the Great Powers against one another. In their eyes, no good was likely to come from this latest "twist to [the] lion's tail," and they therefore sought to moderate the prime minister's rabid anti-British stand.41

Mossadegh's animosity toward the British government was patently clear in a message he asked Middleton to deliver to the British people upon his return to London. Middleton refused this request, whereupon the prime minister delivered his message as a radio address instead. The address's contents held few surprises, though its tone was more strident and defiant than Mossadegh's previous communications. The "covetous" AIOC, he asserted, had "not acted for a single day as a commercial enterprise free from politics." It "had a finger in every pie of corruption" "during the last fifty years," and had no wish to reform now. On the contrary, whereas the Iranian government had "spared no effort" to reach an oil settlement, the British government and the AIOC had "deliberately caused the failure of the various oil missions," brought "financial and economic pressure on the people of Iran," and seemed determined to turn back Iran's nationalization. The British government, which monitored the broadcast through the BBC, gave the message little publicity. "We want to let the Persian situation 'stew' for a time," A. K. Rothnie of the Foreign Office declared. "The less the polemics the better."42

If Rothnie's comment accurately described Britain's predilection for inaction, it did not reflect American thinking, which emphasized the volatility of the situation in Iran. On 30 October, Henderson reported that a "real political and social revolution" was in progress. The traditional ruling elite had been totally disempowered, the shah had come "under [the] complete control" of Mossadegh, and the Tudeh party had solidified its position as the National Front's only
"organized challenge." Because Mossadegh's government was continuing "along [the] same road as [the] Tudeh," Henderson believed that a sudden Communist coup was unlikely. Instead, the government would probably drift toward communism, with "no dramatic moment or precise date" when it had "reached [the] point of no return."43

On this much American policymakers agreed. On how best to prevent an Iranian disaster, however, they did not. Officials at the American embassy in Tehran and in the Department of Defense called for unilateral American action through either the provision of economic aid or the purchase of Iranian oil. Now that events had forced primary responsibility for Iran onto American shoulders, they argued, it might become necessary to scuttle close collaboration with the British in order to save Iran. Officials in the State Department held to the opposite point of view and continued to believe in close Anglo-American cooperation in Iran. The United States, Acheson said, may have inherited primary responsibility for Iran; in time, it might even "assume responsibility in the wider areas of the Middle East." But in no sense could it act with wanton disregard for legitimate British interests in the region. As he had done throughout the crisis, Acheson argued that "it is only by correlating our efforts with the British that the limited resources available to us for the area can be employed with any lasting effectiveness in developing stability and a capability of defense in the Middle East." Acheson was correct in seeing Anglo-American cooperation as the best use of America's limited resources. Yet this close reliance on the British in Iran and elsewhere robbed American policymakers of the chance to push Whitehall toward more flexible policies.44

To Acheson's way of thinking, in fact, the seriousness of the Iranian crisis dictated even closer Anglo-American cooperation in Iran than had been the case in the past. It also necessitated greater American involvement not only in the search for an oil settlement but also in the actual settlement itself. For one thing, the
secretary said, the United States would have to provide Iran with significant financial assistance, probably through the U.S. government's purchase of Iranian oil. For another, private American companies would probably have to play a substantial role in marketing and distributing Iranian oil, but only with British approval. This role, he said, could be filled in one of two ways: Either one or more U.S. oil companies already operating in the Middle East could step in or a new corporation of companies that lacked a regional presence could be formed.45

In fact, Acheson had already presented a preliminary version of this scheme at an interdepartmental meeting on 8 October, where representatives of the Treasury Department had indicated their support. He had more trouble selling the idea to officials in the Justice Department, who were then waging an antitrust suit against the major American oil companies. According to Attorney General James P. McGranery, "it would be most difficult to work out a program involving the majors and at the same time maintain the present anti-trust action." Although saving Iran from economic and political collapse was certainly a noble goal, McGranery was not at all certain that doing so necessitated the kind of action Acheson outlined. The heart of the matter, he observed, lay in determining "whether the national interest in finding a solution to [the Iranian] problem was more important than the principles involved in the [antitrust] suit."46

This conundrum had already revealed itself in the publication of a Federal Trade Commission (FTC) report completed in mid-1951 and entitled "The International Petroleum Cartel." Based almost entirely on documents subpoenaed from the oil companies, the report was a damning exposé of past industry efforts to limit production, allocate markets, and otherwise control world oil supplies. It detailed the various intercompany agreements that had characterized the industry and implied that oil-producing nations would have received higher revenues if these agreements had not existed. Confident that the report would make the major
petroleum companies see the error of their ways, the FTC had lobbied President Truman for its immediate release.  

The Departments of State and Defense and the NSC had disagreed. To their way of thinking, the report "would do the national interest irreparable damage." It would undermine the "confidence" of foreign governments in American companies and would "greatly assist Soviet propaganda," which sought to portray the United States and other Western nations as "'imperialist' and 'colonial' powers." With particular reference to Iran, officials feared that the report would jeopardize chances for an Anglo-Iranian settlement "by damaging, perhaps irreparably, the status of the US as mediator." The major American oil companies also opposed publication of the report, arguing that its release threatened America's national security by endangering its continued access to Middle Eastern oil. Siding with the report's opponents, President Truman agreed on 6 June 1952 to temporarily suppress the document. To dispel any impression that he condoned the practices described in the report, however, he also indicated his intention "to speak to the Attorney General about the possibility of presenting the facts in this matter to a grand jury."  

In this way, the FTC report had led directly to the antitrust proceedings McGranery mentioned at the 8 October meeting. After several months of investigation, the Justice Department on 1 August 1952 had issued subpoenas to "all oil companies in the United States having an interest in the production, purchase, sale, refining, [and] transportation . . . of crude oil outside the United States." The subpoenas were sweeping in their coverage, requesting "all correspondence, cables, memoranda, [and] internal communications in writing by all of the companies and their subsidiaries having to do with the acquisition and exploration of crude oil outside the United States." They called "for literally millions of papers and documents" from the oil companies in the United States, and "many millions more
in foreign countries." The aim of the grand jury investigation was a criminal indictment of the major oil companies for violation of the Sherman Anti-Trust Act, which prohibited industrial and commercial combinations in restraint of trade. A conviction under the Sherman Act could result in a fine or imprisonment and might lead to parallel civil suits and a breakup of intercompany agreements. Even acquittal would have serious repercussions. Just the suggestion of criminality could cause the major oil companies to lose face in oil-producing countries the world over. Their concession agreements would be jeopardized and, by implication, so would Western oil supplies.49

The potentially damaging effects of the grand jury investigation were not lost on either the State and Defense departments or the British government. Acheson and Secretary of Defense Robert A. Lovett opposed the proceedings. Although both obeyed the president's request publicly to cooperate with the inquiry, they argued in private that a federal investigation of the oil companies would damage their prestige in oil-producing countries around the world and would lead ultimately to similar inquiries by these countries. It might also fuel the flames of nationalism throughout the Middle East at a time when the U.S. government was trying to contain nationalization to Iran itself.50 Officials in the British government also objected to the grand jury proceedings, especially because two British oil companies, Royal Dutch Shell and the AIOC, had been included in the Justice Department's subpoena. The British worried that the investigation would hamper the activities of these two companies, lead to a further weakening of Britain's already overstretched balance of payments, and have a "prejudicial" effect on the situation in Iran. In their minds, the proceedings were nothing more than an election-year stunt designed "to divert public attention from charges of corruption brought against the administration."51 But because neither the State and Defense departments nor the British government thought it proper to lobby the Justice Department to quash the
investigation, it continued to move ahead during the fall of 1952.52

This is where the antitrust question stood on 8 October, when the State Department suggested that the American majors become involved in moving Iranian oil. Throughout the next month, the Justice Department continued its investigation, to the dismay of the State Department, the major oil companies, and the British government. Years later, Acheson denounced "the police dogs" from the Justice Department's Antitrust Division, who "wanted no truck with the mammon of unrighteousness . . . and had no hesitation in disagreeing with me on foreign policy aims." At the time, the secretary expressed his displeasure with the Justice Department by seeking the direct intervention of "our common superior."53

In a 7 November memorandum to the president, Acheson sketched the Iranian situation in depressing terms. Although the State Department had been seeking an oil settlement for the past twenty months, it had not been able to bridge the gap between the British and the Iranians. And unless the crisis were immediately resolved, Iran was doomed to economic and political collapse. To prevent this development, which would be a disaster for Western interests in the Middle East, Acheson asked Truman to approve two measures. The first would allow the Defense Materials Procurement Agency (DMPA) to advance Iran $100 million against future oil purchases. The second would authorize one or more American oil companies to take part in the production and distribution of Iranian oil if the AIOC's offtake proved insufficient. Section 708(a) and (b) of the Defense Production Act (DPA) of 1950 authorized the president "to consult with representatives of industry, business and others with a view to encouraging the making . . . of voluntary agreements and programs to further the objectives of the Act." This was what the Foreign Oil Supply Committee had done under the PAD's Plan of Action No. 1, which had helped to prevent worldwide oil shortages in the wake of the Iranian shutdown. Such industry cooperation, the secretary told the
president, was again necessary to avert disaster in Iran, even if it compromised the strict adherence to the antitrust laws advocated by the Justice Department. Fully convinced that the security implications of a loss of Iran overshadowed the dangers of compromising the antitrust suit, President Truman gave the State Department's plan his blessing.54

As Acheson was seeking approval for his plan regarding the American oil companies, the British had been refining their earlier proposal for a two-stage settlement. In their minds, the first step toward any settlement was Mossadegh's agreement to outside arbitration. Once that had been accomplished, an export company wholly owned by the AIOC would commence negotiations with the Iranian government for the movement of between 7.5 and 10 million tons of oil per year and the DMPA would make advances to Iran against future annual purchases of between 1 and 3.5 additional tons. Upon completion of the arbitration process, the AIOC's export company would make longer-term purchase arrangements that would fulfill the terms of the compensation award. To counter probable American arguments that Iran would not accept outside arbitration, Whitehall enumerated the advantages of such a move. First, arbitration would allow Mossadegh "to divest himself of his reputation as a reckless fanatic" and to improve Iran's financial and economic position by allowing it once again to attract foreign capital and reap the benefits of its oil industry. Second, agreeing to arbitration would show the world that Iran accepted both the impartiality of the ICJ and the strength of its own claims against the AIOC. And third, arbitration would not result in an unfair judgment against Iran, because it was in the AIOC's best interest to ensure that any award not exceed Iran's ability to pay. Having supported arbitration with such arguments, the British were confident of American acquiescence.55

Acheson crushed this optimism when he told Eden at a UN meeting on 20 November that there was "not enough cheese" in the British proposal. It was
foolish, Acheson said, to expect the Iranians to agree to arbitration by offering to move a mere 10 million tons of oil. Sales of this magnitude would not provide Iran with the financial earnings it required, let alone allow it to meet the terms of a compensation award. The situation in Iran, the secretary said, "was deteriorating daily" and the country might soon pass "the point of no return." Unless the British undertook a "new and more vigorous effort" to solve the Iranian crisis, Acheson again intimated that the State Department might strike out on its own. In the end, these threats of independent action "stirred up turgid waters in London": The British agreed to abandon their plan and to further discuss the American position with Nitze in London.56

Acheson's hope for British cooperation and his threat of unilateral American action in its absence were laid out as official U.S. policy in NSC 136/1, which the National Security Council approved in late November. According to this document, American policy toward Iran should be made in "full consultation" with Great Britain and should "avoid unnecessarily sacrificing legitimate" British interests or "unnecessarily impairing" Anglo-American relations. Under no circumstances, however, should the United States allow the British government to "veto" any American actions considered "essential to the achievement" of American goals in Iran. The NSC also endorsed the use of Section 708(a) and (b) of the DPA to allow the entry of U.S. oil companies into the Iranian market if necessary. This was good news for the State Department, which was already planning to hold discussions with representatives of the major American oil companies based upon the president's acquiescence in Acheson's appeal of 7 November. As expected, the Department of Defense, the Office of Defense Mobilization, and the Joint Chiefs of Staff sanctioned the upcoming talks. Because of the antitrust suit, however, the Justice Department indicated its desire "to reserve its position" until it had seen the type of plan that might result.57
In two ensuing discussions with oil company officials on 4 and 9 December, the State Department emphasized the importance of a speedy oil settlement. Although Acheson attributed the need for haste to Truman's desire "to avoid passing on a burden to the new Administration," it is also probable that he and the president wanted to avenge their previous failures to solve the Iranian problem with a last-minute triumph. Because such domestic political motives were unlikely to move the assembled executives, however, Acheson supplemented them with concerns about national security. In his discussions with company officials, the secretary stressed the department’s belief that Iran was deteriorating at "an accelerated rate" and that it was undergoing "a real revolution." Unless the United States took action soon, he said, Iran would experience first an "uncontrollable civil disturbance" and then "a take-over by the Tudeh party." The only way to stem the tide of impending disaster, he warned, was rapid resolution of the oil crisis. But with the AIOC unable to market enough oil to satisfy Iran's requirements, all hope of such a resolution lay with the American majors. In the interest of national security, the secretary hoped that they would be willing to at least explore the possibility of marketing a substantial amount of Iranian oil.58

Company officials responded to the department's proposal unenthusiastically, but they promised to give it some thought. It was not that they lacked concern about Iran's potential fall to communism. On the contrary, they fully appreciated the dangers such a development posed. Their hesitancy stemmed instead from worries about the implications of a "sloppy" settlement, which they sought to avoid by securing certain guarantees from the State Department. For example, the companies insisted that Iran not receive a larger return for its oil than other oil-producing countries, lest these countries follow Iran's lead and nullify their concessionary contracts with American firms. They also insisted that the British be consulted at every stage of the negotiations and that the AIOC receive immediate
compensation for its assets and lost concession. These demands were necessary to avoid the impression that the American companies were moving in on the AIOC. Finally, the American companies wanted the lion's share of any cutbacks in production to be borne by Kuwait, which had profited more than the other Middle Eastern countries from the Iranian shutdown. In this way, the Americans could avoid a potentially disastrous reduction of their own output in the region. State Department guarantees on these matters, the executives seemed to say, would clear the way for future discussions regarding American involvement in Iranian oil.59

Meanwhile, elements within the administration were trying to make the future participation of the American majors in Iranian oil even more likely by quashing the ongoing antitrust suit. The campaign against the suit originated with Secretary of the Interior and Petroleum Administrator for Defense Oscar L. Chapman, who presented his department's case at a meeting of the National Security Council on 17 December. In NSC 138, "National Security Problems Concerning Free World Petroleum Demands and Potential Supplies," Chapman sought to dispel any belief "that the United States could be self-sufficient with respect to its oil supply." Increased civilian and military demands for oil products since the Second World War, he maintained, made the entire Western world dependent on foreign supplies. But access to these supplies was endangered by the antitrust suit, which fueled nationalism throughout the oil-producing world and created there a "tinder-box" ripe for explosion. To remedy this potentially "catastrophic" situation, which had already manifested itself in Iran's nationalization of the AIOC, he recommended an evaluation of the security implications of the antitrust suit and its possible termination. The National Security Council approved Chapman's recommendation, commissioned such an evaluation from the Interior, Defense, and State departments, along with a counterpoint from the Justice Department, and agreed to reconvene on 5 January 1953 to decide the issue.60
At its subsequent meeting, the last under President Truman's direction, the National Security Council heard both sides of the antitrust issue and sided with the suit's opponents. The Justice Department argued aggressively that it was the international petroleum cartel that endangered Western security, not the antitrust suit. By concentrating on the development of foreign oil supplies, the department asserted, the American majors had neglected to develop domestic resources and had made America dependent on foreign production. Representatives of the State, Defense, and Interior departments disputed these assertions. In their minds, the antitrust action was a real threat to America's national security. Because the operations of American oil companies abroad had profound effects on America's relations with oil-producing countries, the nation's national security depended on the maintenance of friendly relations between those countries and the American companies. But because the grand jury's criminal investigation created tensions between the companies and the producing countries, it constituted a threat not only to America's national security but also to the security of the entire Western world. President Truman found the State, Defense, and Interior departments' arguments persuasive. Accordingly, he ordered Attorney General McGranery to terminate the grand jury's criminal investigation of the American oil companies and to prepare a civil suit against the companies instead. Dismissal of criminal charges against the American majors removed one obstacle to their participation in Iranian oil by making the companies less leery of cooperative action overseas. It also signaled the U.S. government's intention to subordinate domestic concerns with antitrust to a larger conception of national security.61

After the State Department had secured the preliminary assent of the American majors, Nitze headed to London for additional discussions with the British. It was his hope that the Foreign Office and the AIOC would agree that Ambassador Henderson, who was then home on leave, could present the State
Department's plan, including the participation of the American majors, to Mossadegh upon his return to Tehran. To Nitze's dismay, however, the British were not inclined to make any "concessions of substance" to the lame-duck Democrats until they knew the sentiments of the incoming Eisenhower administration. British obstinacy was most clearly revealed in their continuing insistence on outside arbitration for compensation, even though Mossadegh had rejected such an idea. Nitze believed that British insistence on arbitration would doom the proposals to certain rejection by Mossadegh, but he was ultimately forced to capitulate. The Americans, however, did win British acquiescence in the plan to involve the U.S. majors in the movement of Iranian oil, and in mid-December the Foreign Office agreed that Henderson could present the new plan to Mossadegh.62

In the interim, Mossadegh's political position had continued to deteriorate. Senate opposition had become particularly intense, perhaps for the basest of political reasons. It refused to follow the Majlis's lead in condemning Qavam as a traitor to Iran and calling for the confiscation of his property. In its eyes, this was a dangerous infringement on individual rights that would only prevent opposition elements from speaking out against the government. The Senate also objected to a Majlis proposal to grant amnesty to Razmara's assassin. Its opposition in this case was founded on the constitutional principle of the separation of powers: The legislative branch of the government should not be empowered to overturn a decision made by the judicial branch. Finally, the Senate vocally criticized the severance of diplomatic relations with Great Britain, which it saw as a dangerous move toward alliance with the Soviet Union. Pro-Mossadegh deputies in the Majlis attacked the Senate's opposition to these measures as unpatriotic, and in late October voted to strictly interpret Article 5 of the Iranian constitution, which limited the Senate's
term to two years, in order to bring the present session, which had begun in February 1950, to an end. Although the dissolution of the Senate would drastically curtail the shah's own power and eliminate the strongest voice of opposition to Mossadegh in the country, the monarch was unable to resist the pressure of the Majlis and acquiesced in its plan. The dissolution may have temporarily improved Mossadegh's position by silencing some of his most vocal critics. But it also steeled the opposition of many former senators to the National Front, which now seemed bent on effecting a full-scale social revolution in Iran. Mossadegh's continuing rivalry with Ayatollah Kashani also added to the prime minister's problems. It polarized the National Front as members chose sides in this rivalry— and abandoned the common struggle against the AIOC in the process. Mossadegh also saw his popularity decline with Iran's most important businessmen, who interpreted his dissolution of the Senate and severance of diplomatic relations with Great Britain as threats to their own political and economic positions. Disillusioned with the prime minister's continuing inability to solve the oil crisis, these individuals lined up behind conservative opponents of the government and did what they could to undermine its position.63

Aside from creating political problems for Mossadegh's government, Iran's economic situation was a concern in its own right. As efforts to create an oil-less economy failed to bear fruit, government officials had become increasingly convinced that Iran's economic survival depended on oil sales. To this end, Abbas Parkhideh, the chairman of Iran's Oil Sales Committee, had ventured to Europe seeking buyers but had returned empty handed. Meanwhile, Iran's earlier contracts with Italian oil companies, including the EPIM, the firm that had chartered the Rose Mary, were in danger of lapsing due to the companies' failure to take delivery of their oil. And until the British relaxed their boycott it was unlikely that new agreements would be negotiated in their place.64 Kashani and other Iranian
politicians blamed the United States for allowing the boycott, and by extension Iran's economic difficulties, to continue. Mossadegh agreed with them and threatened to "treat the United States Government as [the Iranians] had treated Her Majesty's Government" unless the Americans changed their ways. Although such blustering was not likely to endear Mossadegh to American hearts, it did convince the State Department of the necessity for action and was thus an indirect but important cause for the Truman administration's late autumn push for an oil settlement.65

Upon returning to Tehran in December, Ambassador Henderson discussed the new American approach in two "long and difficult" conversations with Mossadegh on Christmas Day and New Year's Eve. These discussions were of a general character and did not involve specific proposals. Instead, Henderson sought Mossadegh's reaction to the idea of impartial arbitration for compensation and to a long-term sales contract with the AIOC or a multinational consortium. In the State Department's eyes, these were the two most important components of any settlement, and it was crucial that Mossadegh agree to them before discussion of the actual proposals could begin.66

The prime minister's reaction to Henderson's probing was mixed. With regard to the issue of outside arbitration, his attitude had softened and he now agreed that the judges of the ICJ should constitute an arbitral panel that would determine compensation based on any nationalization law the AIOC wished to select. His newfound willingness to accept this procedure, which was amazing in itself, was all the more significant when he stuck to it even after learning that Britain's Coal Nationalization Law, which the AIOC selected as the basis of compensation, provided for payments against the loss of future profits. Mossadegh had previously been unwilling to consider compensation for future profits, but he was now willing to do so in a private understanding with the British that did not expose him to
criticism at home. What he would not consider was a long-term sales contract with the AIOC. Although Mossadegh had heretofore claimed a readiness to sign such an agreement, Henderson learned that "he now feared it might be dangerous to trust [the] AIOC to purchase [the] bulk of Iranian oil." To keep the AIOC from one day trying to sabotage Iran's oil industry by refusing to lift the agreed upon quantities of oil, Iran could not agree to sell the majority of its oil to the company. It was willing, however, to consider long-term sales contracts with other oil companies, including the American firms should they enter the Iranian market, but only after arrangements for arbitration had been made.67

Henderson assessed his discussions with the prime minister as cautiously promising. Mossadegh had agreed to arbitration by the ICJ and to a private understanding with the British regarding the ICJ's right to consider compensation for the loss of future profits. He had also abandoned his previous insistence that the AIOC pay Iran £50 million before discussions could begin. To be sure, Mossadegh had refused to commit himself to a long-term contract with the AIOC, and in this way seemed determined to separate the various components of the American proposals in order to maximize his gains. But he had tentatively agreed to the multinational consortium the State Department had been discussing with the American majors, which in Henderson's mind was a great step forward. To preserve the gains that had thus far been achieved, Henderson advised rapid progress toward a final settlement. Mossadegh had displayed considerable courage in agreeing to arbitration and in pushing for a resolution to the crisis in the face of tremendous opposition from Ayatollah Kashani and other extremists. It would be a fatal mistake under the circumstances to delay a settlement in the hope that more favorable terms would become available. Such terms could not be struck with a successor government: As the father of the nationalization laws, Mossadegh was in a better position to make concessions to the British than anyone else. In order to
drive these points home to the British, and to secure their acceptance of what might be the last chance for an oil settlement, Assistant Secretary of State Byroade initiated discussions with policymakers in London in early January 1953.68

As these discussions progressed, it became clear that the British were not favorably disposed to Mossadegh's terms, especially to his apparent intention to separate the various terms of the proposals by postponing the negotiation of a long-term sales contract. To their way of thinking, the prime minister was primarily interested in receiving the DMPA advance and had no intention of ever signing a long-term agreement for oil sales. If the United States thus failed to make the advance contingent on progress toward a sales contract, Mossadegh would have no reason to sign such a contract. He might "be content to live as [a] pensioner" on the advance, instead of signing a long-term contract that would provide the oil revenues Iran needed to pay compensation. An outcome like this, according to the British, would only encourage nationalization in other countries. Nor were the British content with Mossadegh’s promise of a private understanding regarding the ICJ’s right to consider the loss of future profits in arbitrating the compensation issue—a promise the British thought too easily broken. To guard against all of these eventualities, the British wanted 25 percent of the total DMPA advance to be placed in an escrow account that would cover the compensation award. They also wanted the terms of reference for the arbitration panel to mention specifically and publicly not only the Coal Nationalization Law, which provided for the payment of compensation for the loss of future profits, but also the AIOC's lost "property, rights and interests" in Iran, which clearly implied that the company intended to claim restitution for the loss of future profits. Without legal guarantees of this kind, the British feared, the arbitration panel might not compensate the AIOC fully for its lost concession. These British requirements boiled down to the same sort of linkage they had previously sought to insert in the Truman-Churchill proposals. Because
the State Department had earlier assented to such linkage, British officials had every reason to believe that it would do so again.69

Yet in the department’s eyes, the kind of linkage the British advocated would be a mistake. Tying the DMPA advance to the negotiation of a sales contract would arouse Mossadegh’s suspicions that the Anglo-Americans were pressuring him into an agreement and thus doom the new proposals. Partially to assuage British fears that the advance would decrease Mossadegh’s incentive for a settlement, American officials did agree to limit the initial grant to $50 million and to pay the remainder in monthly installments once shipments of oil to the DMPA had begun. But they continued to insist that no strings be attached to the first payment, which they saw as "bait" to entice Mossadegh toward arbitration. Nor would the Americans allow the British to insert in the terms of reference for the arbitration panel a provision allowing the panel to consider the loss of future profits. Although Mossadegh was willing to permit such compensation, they said, he could do so only covertly.70

These disagreements, which remained unresolvable despite more than two weeks of discussion in London, highlighted the different ways in which the British and the Americans still approached the oil problem. In general, British officials were primarily concerned with protecting the commercial and economic position of Great Britain and the AIOC and thus insisted on guarantees regarding compensation for the loss of future profits and a long-term sales contract. They were also concerned about the dangerous precedent that might be set if any potential settlement were too favorable to Iran or made nationalization look easy. Other oil-producing nations had to be convinced that Iran had suffered irreparable damage by nationalizing the AIOC, and that it would take "many years" for Iran to regain its 1950 level of production. Because the British had a financial stake in the outcome of the crisis, and were worried about protecting their economic investments elsewhere, they sought an economically sound and profitable settlement
that would severely limit Iran's gains and thus discourage nationalization in other countries. American leaders took a different tack, arguing that a "hard boiled business approach" would not work with Mossadegh, who was "highly subjective" in his judgments and incapable of grasping complicated economic and financial matters. It was therefore best to keep all proposals as simple as possible. It was also best to minimize any pressure on Mossadegh for further concessions. He was already under heavy fire for conducting secret negotiations with Henderson on the oil question, and British nit-picking over the phraseology of the agreement would only weaken his position by delaying a settlement. If the British were really serious about solving the oil crisis, Acheson told foreign secretary Eden, they should demonstrate more flexibility before Mossadegh's domestic pressures forced him to retreat from the concessions he had made on arbitration.71

American criticism did push the British to become more flexible, and by 14 January, Byroade had hammered out the terms of reference for arbitration as well as a draft agreement between the DMPA and the government of Iran. On the positive side, the Foreign Office agreed to replace the phrase "property, rights and interests" with "enterprise in Iran" in the draft agreement, a move that Byroade hoped would assuage Mossadegh. It also agreed to remove references to any particular British law from the terms of reference for arbitration, again something that Byroade thought would appease Mossadegh. On the negative side, the British government insisted on signing the arbitration agreement in its own name rather than on behalf of the AIOC. It also added a number of legal phrases and guarantees to the agreements that Byroade worried would only end up confusing Mossadegh and diminish the likelihood that he would accept the proposals.72

When Henderson discussed the Anglo-American proposals with Mossadegh in a seven-hour conversation on 15 January, the prime minister seemed driven by "suspicion, pettiness, and overcaution." He "became emotionally critical of [the]
DMPA agreement," "found something wrong with most provisions of [the]
 arbitration agreement," and "spent hours scribbling and discarding various
 suggestions for putting them into language acceptable to himself." The result,
 Henderson said, was a "confused, meaningless mass of disjointed statements." The
 prime minister repeated his earlier objections to the British government's intention
to sign the arbitration agreement on behalf of the AIOC. Because Iran's dispute
 was with the AIOC, not the British government, he insisted that the company
 represent itself in the arbitration proceedings. Perhaps more problematic were
 Mossadegh's objections to two financial provisions of the DMPA contract that had
 not come up in his earlier discussions with Henderson. Specifically, Mossadegh
 balked at the suggestion that the DMPA should receive a 35 percent discount over
 prevailing Persian Gulf oil prices and that Iran should pay 4.5 percent interest on
 the amount of the DMPA advance that exceeded quantities of oil delivered. The
 first requirement amounted to giving oil away, he said, while the second constituted
 "usury." Henderson believed that the prime minister's unyielding attitude stemmed
 partly from the legal provisions the British had inserted into the agreements at the
 last moment. But he also laid part of the blame on Mossadegh himself, who had
 personally insisted on redrafting proposals he was not qualified to redraft,
 approached "international politics from [the] emotional point of view of an Iranian
 statesman rather than from the rational view of [a] world statesman," and displayed
 a "complete lack of chivalry and sense of fair play." Although Henderson was
disheartened, he hoped that after privately studying the proposals Mossadegh would
 be able to accept them. Time, after all, was running out: If the agreements were not
 signed by 19 January, a substantial delay was likely while the incoming
 administration familiarized itself with the proposals.73

 Mossadegh, however, was less concerned with securing an expeditious
 agreement than with ensuring that any agreement satisfied all of his demands.
Instead of accepting the Anglo-American proposals as presented by Henderson, he redrafted them in toto. Unwilling to accept the words "enterprise in Iran," Mossadegh suggested "losses" in their place. He refused to pay interest on the DMPA advance and was willing to cut it in half to avoid doing so. He also refused to sign a contract with the "Defense Materials Procurement Agency," whose named suggested an affiliation with the Defense Department, and to sell oil at a 35 percent discount. Finally, he tried once again to loosen the ties that bound the DMPA advance to the negotiation of a commercial contract, thereby confirming British suspicions that he was primarily interested in receiving money and had little or no intention of following through with long-term arrangements for the sale of oil.74

Initial Anglo-American reaction to Mossadegh's counterproposals was mixed. Washington thought that it could meet the prime minister's objections about the DMPA contract: The General Services Administration could sign the oil contract with Iran and the U.S. advance could be reduced to $50 million if that were Mossadegh's wish. London was not so flexible. It could not agree to waive Iran's negotiation of an oil-sales contract as a precondition of receiving American aid or to substitute "losses" for "enterprise in Iran." Without guarantees on the first score, they said, Mossadegh was likely to take the money and run; without assurances on the second, it was possible that the ICJ would disallow the AIOC's claims for the loss of future profits. After considerable study, the British government concluded that Mossadegh's counterproposals "fundamentally altered the shape and character" of the Anglo-American proposals that Byroade had hammered out in London, that "it was no use trying to meet them," and that "the only course was to stand firm on the proposals as put to Dr. Musaddiq" by Henderson on the fifteenth. The State Department agreed and instructed Henderson to inform Mossadegh that while his counterproposals were unacceptable, the original proposals were still valid.75

Henderson did so in a meeting with the prime minister on 19 January, a
meeting that he described as the "most discouraging which I have had with [Mossadegh] thus far." The prime minister, Henderson reported, seemed to lack the "capacity to carry on complicated negotiations for any length of time in a single direction." He had a tendency "to change his mind, to forget, to become confused . . . to think up new ideas or to fail to state frankly what lurks in his mind." In Henderson's opinion, the prime minister's personal quirks and the pressure on him from extreme nationalists left Mossadegh unwilling to yield on his earlier proposals. As a result, the ambassador lamented, agreement with the British seemed "impossible." After his meeting with Mossadegh on the nineteenth, Henderson for the first time openly expressed doubts about the chances for an agreement. He and the Truman administration had done their best to achieve a settlement, but had simply run out of time. Perhaps the respite provided by the change in administrations in Washington would yield an acceptable settlement.76

In the meantime, Mossadegh was moving to reconsolidate his political power. Although dissolution of the Senate had removed the most vocal source of his opposition within the legislature, some critics in the Majlis still remained. To dilute their power, Mossadegh on 17 December had proposed a plan for completing the elections for the Seventeenth Majlis, which he had suspended in June. This plan called for an increase in the overall size of the Majlis and in the attendance requirements for a quorum, provisions that Mossadegh's critics saw as a means of paralyzing the Majlis and silencing the opposition. Additional disputes between the Majlis and Mossadegh arose over the prime minister's request in early January 1953 for renewed plenary powers, this time for a full year. As earlier, Mossadegh insisted that such extraordinary powers would help him to solve the oil question and other pressing matters expeditiously. Ayatollah Kashani was among the most vocal opponents of extending Mossadegh's powers. In his eyes, the proposed bill was "absolutely contrary to the Constitution and in conflict with the interests of the
country." Ultimately, fifty-nine out of sixty-eight deputies voted for Mossadegh's plenary powers bill, but the struggle for the bill actually weakened Mossadegh's position over the long run. By insisting on the bill's passage, Mossadegh had deepened the divide between himself and Kashani that ultimately helped to destroy the National Front, and Mossadegh himself. He also gave the opposition a powerful weapon--constitutionalism--on which to build its case against his government. In January 1953, however, these liabilities were not yet apparent, and Mossadegh had every reason to consider his domestic situation strong enough to withstand the pressures of dealing with the new American president. American intelligence analysts were not so sure. In their eyes, Mossadegh's continued inability to solve the oil crisis was likely to further weaken his political position in the months ahead, creating a dangerous situation that the Communist Tudeh might exploit.77

Mossadegh's rejection of the Anglo-American proposals signaled the final failure of the Truman administration's efforts to resolve the Iranian crisis. The administration's last-minute push for a negotiated settlement constituted the culmination of its evolution from an "honest broker" in the Anglo-Iranian dispute to a full-fledged British partner. After the severance of Anglo-Iranian diplomatic relations in October 1952, in fact, the Americans took the lead in seeking a settlement that followed London's blueprint. Here as elsewhere, however, Acheson and his colleagues were unable to surmount the individual British and Iranian interests that had precluded a settlement for so long. The new Eisenhower administration, as we will see, ultimately had more success in Iran but only because it adopted a more interventionist approach than its predecessor had been willing to take. Its general policy of cooperating with the British, however, was a carryover from the Truman administration.
NOTES

1 For these American concerns see unsigned memorandum, "The Progressive Threat to the U.S. Position in Foreign Oil," 25 July 1952, Oscar L. Chapman Papers, box 102, folder: Petroleum Cartel 1952 (folder #1), Truman Library.


3 See Henderson tel. 514 to State Department, 3 August 1952, RG 59, 788.00/8-352; Henderson tel. 580 to State Department, 8 August 1952, RG 59, 788.13/8-852; Roy M. Melbourne (first secretary, American embassy, Tehran) dispatch 514, "Political Trends from Mosadegh's Return to Power to the Effective Break in Relations with Britain," 3 January 1953, RG 59, 788.00/1-353; Cottam, Nationalism in Iran, 216-17; and Zabih, Mossadegh Era, 73.


10See Henderson tel. 581 to State Department, 8 August 1952, RG 59, 888.2553/8-852.


16Henderson tel. 892 to State Department, 27 August 1952, RG 59, 888.2553/8-2652.

C.C.(52)78th Conclusions, 4 September 1952, CAB 128/25; Henderson tel. 1031 to State Department, 7 September 1952, RG 59, 788.13/9-752. See also Middleton tel. 648 to FO, 1 September 1952, FO 371, 98695/EP15314/290; and Henderson tel. 1024 to State Department, 6 September 1952, RG 59, 888.2553/8-652.


31 Middleton tel. 784 to FO, 7 October 1952, FO 371, 98700/EP15314/422; Henderson tel. 1428 to State Department, 7 October 1952, RG 59, 888.2553/10-752; See also Middleton tel. 783 to FO, 7 October 1952, FO 371, 98700/EP15314/421.


Oil Dispute: Memorandum by the Secretary of State for Foreign Affairs. 23 October 1952, CAB 129/56; and C.C.(52)89th Conclusions, 23 October 1952, CAB 128/25.


41Middleton tel. 829 to FO, 17 October 1952, FO 371, 98621/EP1053/4; Henderson tel. 1611 to State Department, 21 October 1952, RG 59, 788.00/10-2152. See also Henderson tel. to State Department, 21 October 1952, FRUS, 1952-1954 10:503-4; and Zabih, Mossadegh Era, 74-77.


43Henderson tel. 1765 to State Department, 30 October 1952, RG 59, 641.88/10-3052. See also Henderson tel. 1850 to State Department, 5 November 1952, RG 59, 788.00/11-552.


46Nitze memorandum of conversation, 8 October 1952, Acheson Papers, box 68, folder: Memoranda of Conversations, October 1952. For the antitrust case see also Kaufman, Oil Cartel Case.


Unsigned "Oil Cartel Investigation," [September 1952], Truman Papers, PSF-General File, box 132, folder: Oil.


Acheson, Present at the Creation, 682, 684.


Kitchen memorandum of conversations, 4 December 1952, RG 59, 888.2553/12-452. See also Acheson tel. 3763 to American embassy, London, 4 December 1952, RG 59, 888.2553/12-452; Linder (E) memorandum of

Wilkinson memorandum, "Iran," 12 December 1952, FO 371, 98668/EP1532/431. See also the other sources cited in the previous note.


See Melbourne dispatch 514, "Political Trends from Mossadeq's Return to the Effective Break in Relations with Great Britain," 3 January 1953, RG 59, 788.00/1-353; Azimi, Crisis of Democracy, 298-99; and Zabih, Mossadegh Era, 83.

Logan memorandum, 13 November 1952, FO 371, 98666/EP1532/364. See also Henderson tel. 1900 to State Department, 8 November 1952, RG 59, 788.13/11-852; Henderson tel. 1907 to State Department, 9 November 1952, RG 59, 611.88/11-952; and Henderson tel. 1970 to State Department, 15 November 1952, RG 59, 611.88/11-1552.


Henderson tel. to Department of State, 31 December 1952, FRUS, 1952-1954 10:565-69. See also the other sources cited in the preceding note.


Gifford tel. to State Department, 6 January 1953, FRUS, 1952-1954 10:582-85; Gifford tel. to State Department, 8 January 1953, ibid., 593-95. See also Gifford tel. 3662 to State Department, 5 January 1953, RG 59, 888.2553/1-553; Gifford tel. to State Department, 1 January 1953, FRUS, 1952-1954 10:570-73; C.(53)6, "Persian Oil: Memorandum by the Secretary of State for Foreign Affairs," 6 January 1953, CAB 129/58; C.C.(53)1st Conclusions, 6 January 1953, CAB 128/26 part 1; and Gifford tel. 3789 to State Department, 11 January 1953, RG 59, 888.2553/1-1153.

Gifford tel. 3645 to State Department, 4 January 1953, RG 59, 888.2553/1-453. See also Acheson tel. 4382 to American embassy, London, 2 January 1953, RG 59, 888.2553/1-153; Jernegan memorandum for Acheson, "Mossadegh's Latest Position on Iranian Oil Agreement," 2 January 1953, RG 59, 888.2553/1-253; Henderson tel. 2504 to State Department, 2 January 1953, RG 59, 888.2553/1-253; Henderson tel. to State Department, 3 January 1953, FRUS, 1952-1954 10:577-80; memorandum received from American embassy, London, 4 January 1953, FO 371, 10406/EP1531/7; Henderson tel. 2539 to State Department, 5 January 1953, RG 59, 888.2553/1-653; Gifford tel. to State Department, 6 January 1953, FRUS, 1952-1954 10:582-85; Gifford tel. to State Department, 8 January 1953, ibid., 593-95; and Henderson tel. 2628 to State Department, 9 January 1953, RG 59, 888.2553/1-953.

Henderson tel. 2627 to State Department, 9 January 1953, RG 59, 888.2553/1-953; FO intel. 27 to British embassy, Baghdad, 17 January 1953, FO 371, 104610/EP1531/100. See also Gifford tel. 3740 to State Department, 9 January 1953, RG 59, 888.2553/1-953; Chapin (The Hague) tel. 892 to State Department, 10 January 1953, RG 59, 888.2553/1-1053; Acheson tel. to American embassy, London, 12 January 1953, FRUS, 1952-1954 10:605-6; Henderson tel. 2652 to State Department, 12 January 1953, RG 59, 888.2553/1-1253; and Henderson tel. 2654 to State Department, 12 January 1953, RG 59, 888.2553/1-1253.
Gifford tel. to State Department, 14 January 1953, FRUS, 1952-1954, 10:617-20; Gifford tel. to State Department, 14 January 1953, ibid., 611-15. See also Gifford tel. to State Department, 14 January 1953, ibid., 609-11; Gifford tels. (2) to State Department, 14 January 1953, ibid., 616-17; Gifford tel. to State Department, 14 January 1953, ibid., 620-21; C.(53)18, "Persia: Memorandum by the Secretary of State for Foreign Affairs," 14 January 1953, CAB 129/58; and C.C.(53)2d Conclusions, 14 January 1953, CAB 128/26 part 1.

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Azimi, Crisis of Democracy, 312. See also ibid., 310-13; and Zabih, Mossadeh Era, 85-87. For U.S. analysis see NIE-75/1, "Probable Development in Iran through 1953," 9 January 1953, Truman Papers, PSF-Intelligence File, box 254, folder: Central Intelligence Reports, NIE 67-75.
CHAPTER VII
Dénouement:
Mossadegh Is Ousted and Nationalization Is Reversed

During the first seven months of the Eisenhower administration, other developments in Iran took precedence over resolution of the oil crisis. Mossadegh closed the door to a negotiated settlement in March and tightened his grip on the country in order to combat the economic deterioration and mounting domestic opposition that were sure to follow. The prime minister's drift toward a more authoritarian rule worried the shah and other domestic critics, who feared that Mossadegh was leading Iran toward communism. Officials in London and Washington concurred. American leaders had long believed that Iran would collapse economically without an oil agreement, that the door to the country would be thrown open to the Communists and the way cleared for Soviet expansion into the Middle East. The British had come to believe this, too, but had not been able to convince the Truman administration to join them in a plan to overthrow Mossadegh. They had an easier time with the Eisenhower administration, which was quickly persuaded of the danger that Mossadegh posed to continued Western access to Iran and ideologically amenable to a covert operation against him. This was especially the case after the collapse in February of last-minute efforts to reach an oil agreement on terms similar to the Anglo-American proposals of 15 January. After that, American and British policymakers continued to pursue an oil settlement in negotiations with Iran, but apparently with less enthusiasm than they mounted for concurrent efforts to overthrow Mossadegh—efforts that succeeded in August 1953.
After Mossadegh's overthrow, British and American officials collaborated again to formulate an agreement that returned Iranian oil to world markets in quantities sufficient to keep the country afloat. The agreement finally arranged established a multinational consortium to operate the Iranian oil industry on behalf of the Iranian government. By skirting domestic antitrust laws to allow American firms to enter the new consortium, the settlement revealed the willingness of American officials to subordinate other issues to the concerns of national security. It also increased the U.S. stake in Iran's affairs and kept that country and its resources within the American rather than the Soviet orbit. In this sense, the final settlement was a major victory for the Anglo-Americans, who considered Iran and its resources economically and strategically important to the West. It held fewer advantages for the Iranians, of course, and no doubt contributed over the long term to the anti-Western sentiment that exploded decades later.

Prospects for resolution of the Anglo-Iranian oil crisis were not good when Dwight D. Eisenhower assumed office on 20 January 1953. As noted in the previous chapter, Mossadegh had raised objections to the Anglo-American proposals that Henderson presented on the fifteenth and offered his own proposal instead. The Anglo-American proposals envisioned a long-term sales contract between the Iranian government and a multinational consortium that included the AIOC and the major American oil companies, as well as significant purchases of Iranian oil by the U.S. government until the consortium got off the ground. In addition, the proposals would empower the ICJ to decide how much compensation the AIOC should receive as a result of Iran's nationalization. The terms of this last provision were drawn broadly enough that the AIOC could claim compensation not only for its physical assets in Iran but also for the future profits it would lose because of the
premature termination of its concession. It was the stipulation regarding compensation for future profits that raised objections from Mossadegh and that emerged as the major obstacle to a settlement in the weeks after the Eisenhower administration came to office. As we have seen, Mossadegh would permit the ICJ to consider compensation for future losses. But he would not write a provision to this effect into the ICJ's terms of reference, lest he incur the wrath of the Iranian people and weaken his political position at home. Mossadegh promised instead a private understanding that lost profits might be considered by the ICJ, a promise that the British saw as nonbinding and rejected out of hand.\(^1\)

With British officials determined to retain a specific reference to compensation for the loss of future profits, Ambassador Henderson worried that "a hopeless deadlock" was at hand. For policymakers in the Foreign Office, the Anglo-American proposals represented the "furthest limit" of their concessions to Mossadegh. They were a "joint" Anglo-American offer "in the full sense of the word," said the British, and modifying them to suit Mossadegh's whims would merely encourage the prime minister's intransigence and further delay a settlement. Not mentioned but clearly on their minds was the conviction that further concessions to Mossadegh, especially on the issue of future profits, would not only reward nationalization in Iran but also encourage it elsewhere. It would shrink their interests in other countries, as it would in Iran. For this reason, according to the Foreign Office, there could be no yielding "on points of substance." Past concessions had already reduced the British position in Iran "to a small beachhead"; further indulgence would lead to "a full-fledged Dunkirk."\(^2\)

The proposals held no "sanctity" for Secretary of State John Foster Dulles, however, or for other American officials in the new administration in Washington. At least during their first days in office, these officials did not see the Anglo-American proposals of mid-January as an ultimatum to Mossadegh. On the
contrary, they seemed to believe that additional British concessions might be necessary, especially when it came to the provision regarding compensation for the AIOC's loss of future profits. Although the British demanded such a provision in the terms of reference to the ICJ, the Americans disputed the legal basis of their demand and argued as well that the ICJ was sure to adopt a liberal attitude regarding compensation, even without such a provision. The Americans also discounted British fears that Mossadegh would renege on a promise to consider at least some compensation for the AIOC's loss of future profits, even if the Foreign Office deleted specific guarantees to that effect from the ICJ's terms of reference. Unless the British replaced their suspicions with a more flexible approach to the question of compensation, the Americans argued, the chances for an oil settlement might be lost forever.

As it turned out, discussions between Ambassador Henderson and Prime Minister Mossadegh in late January seemed to confirm Henderson's earlier fears of "a hopeless deadlock." It appeared that Mossadegh was prepared to be as rigid as the British. He was no longer willing to strike even a private understanding with the British if it gave the ICJ unrestricted license to compensate the AIOC for the loss of future profits. Such an arrangement could not be held in confidence, he said, and would not be acceptable to either the Iranian people or the Majlis. Instead, Mossadegh now suggested either direct Anglo-Iranian negotiations to determine a lump-sum settlement or adjudication of the issue by the ICJ after the AIOC and the Iranian government had agreed on the "maximum amount" that might be awarded. Under either alternative, as Mossadegh explained to Henderson, the Iranian government could ensure that compensation was "not too exhorbitant," did not exceed its capacity to pay, and did not stretch "indefinitely into [the] future." Mossadegh would not admit that his suggestions betrayed a new reluctance to reach a settlement with the British. On the contrary, he asserted, a resolution of the oil
question "was important not only to Iran but to [the] world."4

Although Henderson naturally agreed that an oil settlement was internationally important, he warned Mossadegh that restricting the ICJ's authority to determine the amount of compensation, or denying that agency any role at all, was likely to scuttle the present negotiations and destroy all chances of such a settlement. The British, after all, had agreed to the Anglo-American proposals only because they permitted the ICJ to fix the amount of compensation and to consider the loss of future profits in setting that amount. Mossadegh had earlier seemed willing to strike a private understanding to this effect with the British. If that were no longer the case, Henderson said, then termination of the oil discussions seemed inevitable. In reporting this conversation to the State Department, Henderson assigned part of the blame for Mossadegh's change of heart to what he saw as the prime minister's inability to conduct negotiations over a sustained period of time. The ambassador had made similar statements on previous occasions, arguing that Mossadegh seemed to fatigue easily and was often incapable of dealing with complicated commercial or financial information. He now assumed that Mossadegh had failed earlier to comprehend the AIOC's definition of "compensation," which included payment for future losses, and was seeking to correct the error by withdrawing his promise to consider such compensation. The ambassador's assumption was dubious, to say the least. It betrayed a tendency, far too common among the Anglo-Americans, to dismiss their Iranian critics as mentally confused and inferior. Nor did it square with the ambassador's readiness to concede a practical basis for the prime minister's position--namely Mossadegh's fear that his political position would suffer still another blow if he appeared to compensate the AIOC for future profits.5

Whatever its cause, Mossadegh's refusal to consider potentially unlimited compensation for the loss of future profits threw a wrench into Anglo-American
efforts to resolve the oil dispute. The State Department seemed willing to concede some of Mossadegh's demands, including his proposal for a lump-sum settlement. But the British would hear nothing of it. By proposing a lump-sum settlement, they said, Mossadegh was deliberately avoiding the real issue at hand—whether he would accept the proposals that Henderson had presented on the fifteenth, including the AIOC's unrestricted right to consider compensation for future profits as well as physical assets. In an effort to improve his domestic position, according to the British, Mossadegh was intentionally changing the basis on which the Anglo-American proposals had been formulated. Meeting his demands would only whet the prime minister's appetite for additional concessions. Instead, the Anglo-Americans should stand firmly behind the proposals that Henderson had hammered out and wait for economic pressures to force concessions from Mossadegh. This was the recommendation coming from policymakers in the Foreign Office, who were certain that Mossadegh's "evasiveness" would soon convince their counterparts in the Eisenhower administration that the prime minister was "unnegotiable."6

Additional Anglo-American discussions in early February brought the Americans closer to the British position. They were still "far from optimistic" that holding firm against Mossadegh would yield a solution to the oil crisis. But as the Foreign Office had expected, they were rapidly approaching the conclusion that the oil negotiations had reached the "decisive stage": The British could not be expected to make further concessions or to delay the inevitable termination of negotiations. It was time to place the onus of responsibility for the breakdown of negotiations on Mossadegh's shoulders, the Americans now reasoned, by forcing him to reject the Anglo-American proposals outright. This was a better course than allowing the prime minister to blame the Anglo-Americans for the failed negotiations in his reports to the Majlis and the Iranian press.7

Accordingly, on 20 February, Henderson presented Mossadegh with a final
version of the 15 January proposals. Although this version contained some cosmetic alterations, it failed to address Mossadegh’s basic objection to the original proposals and thus assumed the character of an ultimatum, which Mossadegh rejected. There could be no oil agreement, the prime minister lamented to Henderson, so long as the British continued to insist on potentially unlimited compensation for the future profits they would lose as a result of Iran’s premature termination of their concession. Mossadegh agreed to consult his advisers before rendering a final verdict on the revised proposals, but he was sure that his colleagues would agree with his conclusion.8

Consultation with his advisers confirmed Mossadegh’s judgment that the proposals would have to be rejected, but even then he delayed an official announcement, probably in order to use public hopes for a settlement as a means of improving his political position. Although the Majlis had extended the prime minister’s plenary economic and financial powers through February 1954, Mossadegh’s increasingly authoritarian stance had cost him the support of Ayatollah Kashani and other former supporters and had split the National Front. By this time, moreover, Mossadegh was in open conflict with the shah. He sought to usurp the shah’s powers over the armed forces, the distribution of crown lands, and the revenues obtained from the Meshed Shrine in northeastern Iran. He also tried to end the shah’s "unfriendly attitude" toward the government, an attitude that was evident in court intrigues against the prime minister and in recent court-sponsored uprisings among the Bakhtiari tribesmen in southern Iran. Unless the shah surrendered his royal prerogatives and ceased his antigovernment activities, Mossadegh vowed to resign on 24 February and to make the reasons for his resignation public. Fearful of a popular outcry against Mossadegh’s resignation, the shah capitulated to some of the prime minister’s demands. He agreed to cease contact with military figures and opponents of the government, but refused to halt
the distribution of the crown lands, which he said was his sovereign right as
monarch.\textsuperscript{9}

This partial truce was shattered when the shah announced on 24 February that
he intended to leave the country. Although the shah and his courtiers claimed, then
and later, that Mossadegh had demanded the shah's departure, recent scholarship
supports Mossadegh's assertion that the decision originated with the shah himself.\textsuperscript{10}
In any event, it soon became clear that the shah's supposed trip was part of a
concerted plan against the government, if not against the prime minister's life.
After joining other government officials in a farewell ceremony at the shah's palace
on 28 February, Mossadegh was summoned to an important, impromptu meeting
with Ambassador Henderson and was forced to leave the palace before the shah's
scheduled departure. Upon approaching the main palace gate, however, the prime
minister heard the rumblings of an angry crowd on the other side, including calls for
his death. With the assistance of one of the shah's guards, he departed the palace
grounds through another gate, successfully eluded the enraged mob, and fled to his
nearby home. The crowd gave chase, but the iron gates surrounding Mossadegh's
residence kept it at bay long enough for the prime minister to arrange another
escape, this time to army headquarters and then to the Majlis building, where he
related the assassination attempt to a closed session of the legislature.\textsuperscript{11}

The picture the prime minister painted for the Majlis was of a far-flung
antigovernment conspiracy that extended even to the American embassy.
Mossadegh first implicated the shah, who had supposedly engineered the episode by
threatening to go abroad and by leaking his plans to Kashani and other conservative
leaders, who then incited the anti-Mossadegh crowd by accusing the prime minister
of driving the shah from the country. The prime minister next accused members of
the Retired Officers Association, including future Prime Minister Fazlollah Zahedi
and other high-ranking current and former army officers, of either direct
participation in the mob uprising or of supporting it indirectly by failing to take action against the rioters. Finally, Mossadegh fingered American Ambassador Loy Henderson, whose urgent need to see the prime minister had almost delivered him to the angry throng outside the shah's palace. Although Mossadegh did not immediately make his charges public, he threatened to resign and to reveal his account of the incident unless the Majlis asked him to remain in office. Unwilling to see Mossadegh drag the shah, the court, and the military through the mud, the Majlis complied by reiterating its 6 January vote of confidence in the prime minister.12

For the next several weeks, Mossadegh's preoccupation with domestic matters prevented him from seriously considering the modified Anglo-American oil proposals of 20 February.13 He personally ordered the arrest of the ringleaders of the 28 February episode; appointed a loyal supporter, Taqi Riyahi, as army chief of staff; and thwarted several efforts by Speaker of the Majlis Kashani to decrease the government's power over the legislature. Mossadegh was also busy reporting to an eight-man committee of Majlis deputies that was charged with settling the prime minister's outstanding differences with the shah. The committee's report, presented to the Majlis on 12 March, supported Mossadegh's contention that the shah should reign, not rule, by which it meant that the prime minister and his cabinet, not the shah, had sole responsibility over civil and military matters. Although opposition deputies blocked its ratification by the Majlis, the report was a clear victory for Mossadegh. By mid-March, the prime minister appeared to have recovered much of his political clout: He had silenced the shah and his other domestic critics, at least temporarily, and was working to reconsolidate his support among the Iranian masses.14

In the meantime, however, British and American officials seem to have abandoned all hope of reaching a negotiated oil settlement with Mossadegh. On the
contrary, they were now "looking for alternatives," in the words of foreign secretary Eden. The British, of course, had long believed that Mossadegh must go but had been unable to sway the Truman administration. To be sure, Truman and his advisers had been concerned for Iran's security. But an aversion to covert operations and prior commitments in Western Europe and Korea had prevented them from acquiescing in British plans to topple Mossadegh.

The Eisenhower administration proved more receptive to these plans. According to Mark J. Gasiorowski, who has studied the Anglo-American effort to remove Mossadegh, the administration agreed in principle on 3 February to support a British scheme to overthrow the Iranian prime minister. American officials justified their decision as necessary to save Iran from Communist domination. They interpreted recent developments as further proof that Iran was headed in that direction. As they saw it, for example, Mossadegh's assault against the shah had created a power vacuum that could only benefit the Communists; tribal discontent among the Bakhtiaris and the Qashqais threatened a civil war that would weaken the central state and leave it vulnerable to Soviet domination; and the Communist Tudeh party had become increasingly active in the wake of the 28 February uprising, apparently with Mossadegh's sanction. In addition, the Eisenhower administration did not face the same constraints that had often handicapped its predecessor. The American commitment to Western European recovery was winding down, spending for the war in Korea had leveled off, and the war itself would soon be over. Under these circumstances, the new administration had more room to maneuver. It also saw covert operations as a cheap and relatively risk-free way of attaining its foreign policy goals throughout the developing world. In its mind, moreover, a covert operation against Mossadegh offered certain advantages: It would allow the administration to score an early foreign policy success; signal the world that the United States would do whatever it could to prevent the spread of communism; and
guarantee continued Western access to Iran's valuable oil fields.\textsuperscript{17}

By early February, then, even before Henderson had presented Mossadegh with his final proposals, the American and British governments had become committed to undermining the prime minister's government and to removing him from office. Perhaps this commitment lessened their willingness to make additional concessions to Mossadegh; no doubt it steeled their determination to make the 20 February proposals their final offer. It is even possible that the revised Anglo-American proposals were presented as a smokescreen to conceal the Anglo-American plans to overthrow Mossadegh, which were just beginning to solidify. In any event, the Americans clearly assumed that by rejecting those proposals Mossadegh would dim the last prospects for an oil settlement, further damage his position with the Iranian people, and pave the way for Anglo-American action against him.\textsuperscript{18}

Mossadegh's behavior continued to play into the hands of the Americans by fueling their fears that Iran was heading toward communism. In a desperate effort to raise revenue, Mossadegh again sought American purchases of Iranian oil. When asked how the United States could justify such purchases in the absence of an Iranian settlement with Great Britain, Mossadegh said that the purchases would help "to prevent Iran from becoming Communist." If the Americans refused to buy Iranian oil, according to the prime minister, he would have to sell it at any price to all buyers--even to countries behind the Iron Curtain. In truth, Mossadegh had "no intention" of selling oil to Communist nations. But threats to do so had worked to good advantage in the past. They had pushed the Truman administration, for example, into waiving restrictions regarding the dispersal of American military aid in early 1952, and the prime minister had every reason to believe that they would work again. What he did not know was that Anglo-American officials considered these threats as justification for their plans against his government. While searching
for an oil settlement throughout the spring of 1953, they had already abandoned the hope of reaching such a settlement with Mossadegh and were determined to topple his government. Mossadegh's own words and apparent drift toward communism only strengthened their resolve.19

iii

Mossadegh publicly rejected the new Anglo-American proposals in an address to the Iranian people on 20 March 1953. The address contained no surprises. It reiterated the prime minister's determination to set some limits to the amount of compensation to the AIOC, because any other course would surrender the Iranian oil industry to Great Britain and thereby defeat "the purpose of nationalization." From Mossadegh's point of view, the address did not necessarily close "the door to negotiations with the British government"; he was still willing to talk directly to the British in order to determine the amount of compensation, or to submit the question to arbitration by the ICJ after both sides had indicated their maximum claims. As noted earlier, however, the British had already rejected these terms. The new Anglo-American proposals were "fair and equitable," they repeated, and represented the limit of their concessions. Surrendering to Mossadegh on the question of compensation for the loss of future profits would endanger British commercial interests the world over. For Whitehall, the only course of action was to stand firm on the revised Anglo-American proposals and wait for Mossadegh to give in. This was the official position of the British government. But unofficially, as we have seen, British policymakers had exhausted their patience with Mossadegh and were laying plans to topple his government.20

Much the same can be said of the Eisenhower administration. American officials supported the British decision to stand pat on the revised Anglo-American proposals. They affirmed the fairness of these proposals and were willing to back
their conviction with tough talk to Mossadegh. The State Department still refused to purchase Iranian oil in the absence of an Anglo-Iranian settlement, in this way supporting the British-led boycott that was taking a severe toll on the Iranian economy. It also turned a deaf ear to Mossadegh's pleas for budgetary assistance and other forms of aid to forestall a collapse of the Iranian economy. Such assistance could not be justified, the department repeatedly told the prime minister, when Iran could secure substantial revenues merely by reaching an agreement on compensation with the British. What the department did not say was that the American government, like the British government, was now committed in principle to Mossadeh's ouster. American policymakers under these circumstances were in no mood to make concessions on the revised Anglo-American proposals or to bolster the Iranian government with additional aid. On the contrary, the sketchy evidence available suggests that both the British and American governments were busy adding to the economic and political troubles that confronted Mossadeh.21

These troubles were considerable. To be sure, the Iranian government had negotiated oil sales with Italian and Japanese firms, and these sales had been upheld by courts in Venice and Tokyo. But they failed to break the international boycott by generating significant revenues or long-term contracts. And with world oil production outstripping demand, extended contracts were unlikely in the near future, even though Iran was now offering its oil at less than half the world price. By April, according to the American embassy in Tehran, Iran had "psychologically entered a new economic era, characterized by general acceptance of the fact that no oil settlement is in prospect." If Iranians accepted this fact, however, they were not reconciled to the hardships that accompanied the deterioration of their economy. Inflationary pressures generated by the government's still secret note issue of 3.1 billion rials in the autumn of 1952 were inciting workers across Iran to strike for higher wages. Unless the government did something soon to stabilize prices and
improve the standard of living for working-class Iranians, the American embassy predicted increased work stoppages and eventual economic collapse.22

Political as well as economic factors were now working against Mossadegh. In April, opponents of the government made another attempt to bring down the government, this time by kidnapping key officials in order to create chaos throughout the country and thereby force Mossadegh’s resignation. Because all of the information about the plot has yet to come to light, it is impossible to determine a complete list of intended victims or alleged conspirators. Early discovery of the plot by government officials prevented its full implementation; the conspirators abducted only one official—chief of police Mahmud Afshartus. And when their plot began to unravel, they murdered Afshartus in order to keep him from identifying members of the conspiracy, who were thought to include Muzaffar Baqai, Husain Khatibi, Mostafa Kashani (the ayatollah’s son), and other prominent members of the opposition. Recent scholarship has also implicated the shah in this conspiracy, along with other members of the royal family and high-ranking military officers, including Fazlollah Zahedi. The British intelligence organization, MI-6, and the U.S. Central Intelligence Agency (CIA) were almost certainly involved as well, although the details of their involvement remain classified. In any event, the murder of Afshartus and the antigovernment plot were serious blows to Mossadegh’s regime. They contributed to the National Front’s declining morale and decaying fortunes. They also highlighted the growing strength, determination, and ruthlessness of the anti-Mossadegh forces in Iran. And they indicated as well that the conspiracy against Mossadegh now included the U.S. and British governments.23

Making matters worse for Mossadegh, the April conspiracy was only the most dramatic evidence of the pervasive political instability that wracked Iran in the months following the incident of 28 February. By late spring, the Majlis had become a battleground divided between Mossadegh’s supporters and his opponents. It
usually lacked a quorum, because opposition deputies refused to attend. And when they did attend, the deputies spent most of their time debating the merits of the government rather than conducting constructive business. Opposition deputies accused the government of beating suspects in the Afshartus murder in order to extract confessions. They also charged the government with trying to eliminate the shah by seeking ratification of the Committee of Eight report. They even resorted to "guerrilla tactics" that led to periodic fist fights on the floor of the Majlis and within its chambers. Violence often spilled out into the streets of Tehran, where Mossadegh's supporters and detractors clashed regularly. The Tudeh party was invariably involved in these confrontations on the side of the government, which further fueled Anglo-American suspicions that a tacit alliance between the party and Mossadegh was delivering Iran into Soviet hands.24

If Iran's mounting economic and political problems troubled the Americans, they also troubled Mossadegh, whose attempt to deal with them only added to the mounting suspicion of his government in Washington. To forestall economic disaster, Mossadegh made a final, desperate bid for U.S. economic and financial assistance. In several meetings with Ambassador Henderson in May, the prime minister asserted that without such aid his government would be overthrown and Iran would cease to be an "independent country." He asked the ambassador to convey Iran's serious economic and political problems to Secretary of State Dulles, who spent May touring the Middle East with Mutual Security Director Harold E. Stassen. Because the administration was determined to do nothing that might bolster Mossadegh's political position, and was, in fact, working to remove him from office, Dulles had excluded Iran from his itinerary, which included virtually every other nation in the region. The State Department probably hoped that such an obvious snub would discredit the prime minister with the Iranian people, who had been led to believe that Mossadegh enjoyed the best of relations with Washington.
In any event, Ambassador Henderson met with Secretary Dulles in Karachi on 24 May. They decided to reject Mossadegh's appeal for economic aid, despite his oblique warning that Iran might lose its independence to the Communists, perhaps because they were now firmly committed to the Anglo-American plan to topple his government. On the following day, Henderson conveyed this decision to the prime minister, adding that the only solution to Iran’s problems lay in a resolution of the oil dispute.25

Mossadegh was disappointed by Dulles’s response but not deterred in his search for American aid. Unaware of the Anglo-American plot being hatched against him, the prime minister decided to appeal directly to President Eisenhower. On 28 May he sent a written message to the president through Ambassador Henderson, who was returning to Washington for consultations with the State Department. The message warned again of Iran’s imminent collapse and lamented that the new administration in Washington had failed to be “more sympathetic” to Iran’s plight. It also referred several times to the “serious consequences” that would result from a failure to address Iran’s economic problems, consequences that presumably included a Communist takeover of the country. "If prompt and effective aid is not given this country now," Mossadegh warned, "any steps that might be taken tomorrow to compensate for the negligence of today might well be too late."

Sounding very much like an ultimatum, the prime minister’s message sought to exploit American fears of a Communist coup in Tehran in order to enlist Washington’s aid on behalf of Iran’s staggering economy.26

American policymakers interpreted Mossadegh’s message as a transparent attempt at blackmail and ignored it for almost a month. When President Eisenhower did reply, on 29 June, he reaffirmed earlier American pronouncements that neither large-scale economic grants nor American purchases of Iranian oil were possible as long as Iran refused to settle the oil crisis through international
arbitration and to compensate the AIOC for more than its "physical assets."
Eisenhower went on to note his own distress at the "present dangerous situation in Iran" and to express his hope that Mossadegh's government would "take such steps as are in its power to prevent further deterioration of that situation" "before it is too late." In hindsight, of course, it now was clear that it was already "too late" for Mossadegh. Eisenhower, Secretary of State Dulles, his brother, CIA director Allen W. Dulles, and other high-ranking officials had decided that Mossadegh's ouster was the only way to "prevent further deterioration" in Iran. Even Ambassador Henderson, who had been prepared to give Mossadegh the benefit of the doubt, was now forced to admit that the prime minister would never come to terms with Britain, that no oil settlement was possible so long as he remained in power, and that he would therefore have to be replaced.

Indeed, Henderson had returned to Washington in early June in order to participate in last-minute planning for the prime minister's removal. By that time, of course, transatlantic talks on this subject had gone on for several months. They had led to Anglo-American involvement in the abortive April conspiracy, if not the failed coup d'état of late February. When the April plot collapsed, British and American policymakers decided to join with Iranian opposition elements in planning still another coup against Mossadegh's government. Kermit Roosevelt, a CIA operative who had worked in the Office of Strategic Services during the Second World War, headed the Anglo-American effort in Iran. A grandson of Theodore Roosevelt and a cousin of FDR, the younger Roosevelt was quiet and retiring, "the last person you would expect to be up to his neck in dirty tricks." These attributes, of course, made Roosevelt an excellent candidate for espionage work. He had worked in Iran during World War II and was acquainted with a number of prominent Iranians, including the shah himself. Assisting him on location in Iran would be other CIA agents, members of MI-6, and Iranian dissidents in the employ
of the American or British governments.30

Official U.S. approval of the plan for a coup d'état came in a meeting at the State Department on 25 June. Restrictions on access to the written minutes of this meeting, as well as to other documents, make it impossible to determine precisely what transpired. Indeed, limited access to most American documents on the subject prevents a full and complete assessment of the American and British roles in overthrowing Mossadegh. There can be no doubt of American and British involvement, however, nor of the underlying reasons for that involvement, which included the collapse of the oil negotiations, the mounting economic and political instability in Iran, and American fears of a turn toward communism there. In American eyes, the last development ran the risk of putting Iran's oil resources in the hands of the Soviet Union, thereby adding to its economic and military strength, and of clearing a path for Soviet expansion through the Persian Gulf to the strategically important and oil-rich Middle East. Mossadegh's regime, by this calculation, posed a serious threat to Western security and had to be eliminated. Ironically, Mossadegh had recognized the overriding importance that officials in Washington placed on security concerns, as is evident in his efforts to win American aid by raising the danger of Communist expansion into Iran. Unfortunately, as we have seen, his warnings only confirmed Anglo-American suspicions and sealed the prime minister's fate.31

While American and British officials were plotting the demise of Mossadegh's government, forces in Iran were conspiring toward the same end. Although Mossadegh prevented Ayatollah Kashani's reelection as speaker of the Majlis on 1 July, this success proved little more than a Pyrrhic victory. With opposition deputies determined to obstruct the government at every turn, Mossadegh's chances of controlling the Majlis in the future still looked grim. Only thirty deputies were unconditionally behind the government, while another twenty-some claimed
independent status but usually backed Mossadegh. Twenty-five others, or roughly one third of the Majlis—enough to prevent a quorum and block passage of government-sponsored legislation—were working tirelessly for the prime minister's defeat. Already Mossadegh was losing ground. On 9 July the Majlis elected his former ally and now bitter enemy Hossein Makki to the supervisory board of the Bank Melli, which controlled the note reserve of the government. In this powerful position, Makki was likely to learn of the secret issuance of 3.1 billion rials in the autumn of 1952 and to make this information public, thereby weakening the government by calling into question its ability to manage the country's economy.32

Adding to Mossadegh's troubles was the concurrent revelation that President Eisenhower had refused the prime minister's request for economic assistance. Because he had often claimed American support for his policies, including a willingness by American leaders to provide Iran with substantial aid, Mossadegh had tried to keep the president's rebuff a secret. In early July, however, after word of his recent exchange with the chief executive had been leaked in Tehran, Mossadegh was forced to release both his letter of 28 May and Eisenhower's response. The revelation dealt a serious blow to the prime minister's prestige. Workers who had seen U.S. aid as a means of improving their sorry living conditions now demonstrated openly against Mossadegh, and opposition elements in the Majlis launched new attacks against the government, including a motion of censure over the alleged mistreatment of suspects in the Afshartus case.33

To counter this mounting resistance within the Majlis, which could lead only to a vote of no confidence in the government, Mossadegh decided to dissolve the legislature. This was a difficult decision for a prime minister who had dedicated his life to expanding the powers of the Majlis and to making it more responsive to the Iranian people. But now that his opponents were threatening to use the Majlis to bring down the government—and by extension the popular movement against Great
Britain—Mossadegh came to see dissolution as the only way to guard the Iranian people against an eternity of "imperialist domination."\textsuperscript{34}

Having resigned himself to dissolution, Mossadegh then set about formulating a plan to bring it about. This would not be easy, because the constitution of 1949 gave the shah sole authority to dissolve the Majlis. But with the shah unlikely to accept Mossadegh’s demand for dissolution, the prime minister would have to circumvent the monarch by appealing directly to the Iranian people. Accordingly, he devised a two-part plan that aimed to force the shah’s compliance by presenting him with the fait accompli of an already dissolved Majlis. First, Mossadegh asked his supporters in that body to resign in order to deprive the legislature of a quorum. On 27 July, twenty-eight deputies surrendered their seats; by 18 July, twenty-six others had followed suit, many of them convinced that doing so was the only way to guarantee their reelection to the next legislature. With only the twenty-five hard-core opposition deputies remaining, the Majlis ceased to function the following day. At that point, Mossadegh moved to the second stage of his plan—a public referendum to determine not only the fate of the Majlis but that of the government as well. A vote to dissolve the Majlis, Mossadegh declared, would be a vote for the government and would give his regime a popular mandate. A vote against the measure, on the other hand, would indicate public dissatisfaction with the regime and lead to his resignation.\textsuperscript{35}

Mossadegh’s decision to appeal directly to the people was in keeping with his long-standing belief that the public should have a say in its own governance. But the way in which he carried out the referendum belied the prime minister’s faith in the democratic process and highlighted his increasingly authoritarian character. Instead of being conducted, like most Iranian elections, over a long period of time in order to give outlying rural areas a chance to vote, the referendum was held only in the cities, where the government’s position was strongest, and lasted only a few hours.
Instead of being conducted by secret ballot, moreover, separate polling places were erected for "yeas" and "nays," with individual voting records kept by the government. Given these restrictive, blatantly progovernment conditions, the outcome of the referendum seemed a foregone conclusion: 99.9 percent of those voting on 3 August supported Mossadegh's decision to terminate the Majlis.36

The prime minister's opponents immediately attacked the referendum as an undemocratic and unlawful affront to the constitution. On a procedural level, they denounced the government's use of segregated polling places, an unprecedented step even in Iran, where free elections had never been the norm. On a constitutional level, they condemned the prime minister's illegal attempt to allow the Iranian people to pass judgment on a question that fell exclusively within the purview of the shah. Because the referendum was illegal, they said, the results meant nothing. This was the shah's position as well. He refused to bow to the prime minister's call for an official firman dissolving the Majlis and authorizing new elections, even after Mossadegh delivered a nationwide radio address on 12 August calling upon the shah to heed "popular wishes."37 Instead, the shah and other opponents of the prime minister derided the referendum as concrete proof that Mossadegh was determined to overturn the constitution and make himself dictator of Iran. They charged the prime minister with destroying the Senate and robbing the shah of his royal prerogatives, such as nominal control over the armed forces. Now he was trying to eliminate the Majlis, which constituted, except for the press, the only remaining source of opposition to the government. The referendum handed Mossadegh's opponents the vehicle they had been waiting for to discredit his government. They could now claim that ousting the prime minister was the only way to preserve the Iranian constitution, and they could count on substantial American support for their efforts.38

Indeed, policymakers in Washington had watched Iran's economic and
political deterioration with growing trepidation. The country's worsening economy, which had always given them cause for alarm, now seemed locked on a downward spiral that would lead inevitably to the kind of environment where communism flourished. American officials were also concerned about other aspects of Iran's unstable political situation. They, too, believed that Mossadegh was trying to eliminate all rival political forces in Iran and create a dictatorship that left him "unchallenged" and in "complete control." In the process, according to the Americans, he was alienating legitimate sources of authority and becoming increasingly dependent on the Tudeh party for moral support. Party members had staged a massive demonstration to commemorate the first anniversary of Mossadegh's return to office on 21 July, rivaling the prime minister's National Front supporters in both numbers and discipline. In the words of the U.S. chargé d'affaires in Tehran, Gordon H. Mattison, the prime minister was "making a careful play for Tudeh support," the probable results of which were "too obvious to need elaboration." As the situation continued to degenerate, he and other Americans feared, mass demonstrations against the government would grow into a full-scale revolution, Western influence in Iran would come to an end, and the country would be delivered into the hands of the Soviet Union. The shah agreed, asserting that Mossadegh's alliance with the Tudeh would turn him into "the Dr. Benes of Iran."39

It was to keep Iran from going the way of Czechoslovakia that the Eisenhower administration had earlier decided to remove Mossadegh from office. By early August, they had decided that Fazlollah Zahedi would succeed Mossadegh, despite London's objections to the general's anti-British activities during the Second World War and the shah's uncertainties about his trustworthiness. In the eyes of American policymakers, Zahedi was the only figure in Iran strong enough to challenge Mossadegh and win. American officials also secured the shah's support for the coup d'etat against Mossadegh. This was not an easy task and took longer than expected.
After the failed efforts in February and April to remove Mossadegh from office, the shah was no doubt reluctant to participate in any operation that was not supported more fully by the British and American governments. Both the shah's twin sister, Princess Ashraf, and General H. Norman Schwarzkopf, Sr., who commanded the Iranian Gendarmerie from 1942 to 1948, had tried and failed to win the monarch's support for another covert operation against the prime minister. It was only in early August, after meeting with Kermit Roosevelt and being assured of full Anglo-American backing, that the shah agreed to go along.40

Other scholars have described the subsequent coup d'etat in some detail, so a thorough examination need not detain us here. Besides, adding to current knowledge is not possible without the release of additional documentation, which is unlikely to occur in the near future. Suffice it to note that after three days of tense fighting in Tehran, the anti-Mossadegh forces triumphed, ousted the prime minister on 19 August, and installed Zahedi in his place. The shah, who had fled Tehran before the coup got under way, returned to cheering crowds three days later. Mossadegh and his remaining close advisers were arrested and charged with treason. The members of other political groups, such as the Tudeh, were also rounded up as part of a general effort by the shah and the new government to silence political opposition.41

The American contribution to what Iranians call the 28 Mordad coup was substantial, even decisive. Kermit Roosevelt held the operation together after several early setbacks had threatened failure. American money helped to produce both the "Tudeh" mobs that marched through the streets of Tehran on 17 and 18 August, prompting fears of an imminent Communist takeover, and the proshah mobs that took their place the following day. Ambassador Henderson engineered a critical break between Mossadegh and the Tudeh by demanding that Mossadegh order the police to protect American citizens and property from the marauding
mobs. By acquiescing in Henderson's demand and ordering action against the Tudeh demonstrations, Mossadegh alienated the party, prevented it from effectively opposing the proshah forces, and guaranteed the success of what Anthony Eden later called the "royalist coup d'etat." Following the coup, moreover, the United States promptly offered the new government an emergency package of economic aid, presumably to bolster it against potential opponents and to entice it into negotiating an acceptable oil agreement with the British.42

Despite the important role played by the United States, it is essential to remember that the coup would not have been possible without significant opposition to Mossadegh within Iran. The prime minister's drift toward authoritarianism had alienated many of his former supporters, who defected to the opposition. In addition, Mossadegh's failure to make the nationalized oil industry profitable had weakened his support among the Iranian masses, who could ill-afford the economic hardships that were certain to accompany his continuing tenure as prime minister. These two developments created a vicious circle: Decreased popular support inspired Mossadegh's drift toward authoritarianism, and this drift toward authoritarianism weakened his popular support. Mossadegh's nationalistic crusade against the AIOC, which had so inspired Iranians during 1950 and early 1951, ultimately generated demands that it could not satisfy. When this became clear, Mossadegh was toppled from his place as the head of the Iranian government by a coalition of domestic dissidents working in partnership with covert operatives within the British and American governments. His removal from office drove the remnants of the National Front underground, where it continued to work for Iranian independence from foreign influence. But for all intents and purposes, Mossadegh's effort to drive the AIOC from Iran had received a major setback. By the autumn of 1954, Zahedi's government had effectively reversed nationalization and cleared the way for the reappearance of Iranian oil on world markets. In this way, the
immediate legacy of the 28 Mordad coup was a new oil agreement that allowed the British and other Western interests to regain control of Iran's petroleum, which was something Mossadegh would never have permitted.

Ousting Mossadegh did not remove all of the obstacles to a resolution of the Anglo-Iranian oil dispute. The Zahedi government needed time to consolidate its position and to convince the Iranian people that complete nationalization of the oil industry was impossible. Only then could it commence discussions with the British. The British had to persuade the Iranian government to accept a settlement that allowed the AIOC to return to Iran. The U.S. government had to convince the major American oil companies to enter the Iranian oil industry and then make their participation legal by skirting the antitrust laws. Finally, the international consortium that was given the go ahead by the coup had to reach agreement with the Iranian government for the renewed production and marketing of Iranian oil. By the autumn of 1954, progress had been made along all of these fronts and Iranian oil was again making its way into world markets.

The Zahedi government faced tremendous economic and political obstacles when it assumed office on 20 August 1953. The thirty-month oil crisis had left Iran's economy in a shambles. Housing for the urban poor was inadequate; working-class wages failed to keep pace with inflation; and Iran lacked the international credit needed to purchase sugar and other crucial commodities. To win popular support for his government in the midst of such economic hardship, Zahedi would have to convince the Iranian people that he "had something [to] offer them." He would have to improve their standard of living and provide them with decent housing and effective transportation. He would also have to solidify his political position throughout Iran. The Tudeh remained a formidable and active foe, despite the new
government's efforts to crush it completely. So did Mossadegh's National Front, which seized every available opportunity to assail Zahedi's assumption of power and his use of that power thereafter.43

Despite these difficulties, Iran's economic and political situation had begun to improve by the end of the year. The emergency aid from the United States, worth approximately $45 million, allowed Zahedi to initiate the construction of new housing developments in the slums of Tehran and to begin modernizing the Iranian road system. He could also count on future economic assistance from the Export-Import Bank and other international lending agencies, and had made progress on the political front as well. He and the shah dissolved the rump Majlis left in Mossadegh's wake, selected a slate of candidates for its successor, as well as for a new Senate, and moved to initiate national elections at the earliest possible date.44 In addition, the new regime won the conviction in a military court of former Prime Minister Mossadegh on charges of defying the shah, attempting to overthrow the monarchy, and illegally dissolving the Majlis. With Mossadegh sentenced to three years of solitary confinement, the Zahedi regime had every reason to expect that it could now put the 28 Mordad coup behind it.45 Finally, on 5 December the Iranian government reestablished diplomatic relations with Great Britain, thus clearing the way to a solution to the oil crisis.46

Developments during the early months of 1954 revealed both successes and failures for the government's efforts to consolidate its power and win support from the Iranian people. Elections for the Eighteenth Majlis, which had been concluded in March, resulted in a legislature dominated by pro-Zahedi forces. Nevertheless, a number of opposition figures secured seats as well, and their presence made it difficult for the new government to successfully dominate the Majlis. The government's relations with the Iranian people were similarly mixed. It initiated an extensive propaganda campaign to demonstrate Iran's inability to run the oil
industry without foreign assistance and to prepare the population for the concessions that would be necessary to settle the oil crisis. But because Zahedi was not a charismatic or inspiring leader, he was unable to win the hearts and minds of the Iranian people. His regime also set a new high for political corruption, and the prime minister himself was thought to have engaged in illicit, if not illegal, financial dealings. To maintain power under such circumstances, the regime used violence to subdue all forms of political dissent, especially the underground activity of the National Front, which was working to defeat the government's efforts to resolve the oil crisis.47

While Zahedi's government was working to solidify its political position, American leaders were working to create the machinery for resolving the oil crisis. In September 1953, President Eisenhower appointed well-known oil consultant Herbert Hoover, Jr., as special oil adviser to the State Department. Although convinced that the AIOC's return to Iran was "desirable," Hoover also believed that Iranian opposition to this course required a new arrangement. Because only the large international oil companies—the so-called Seven Sisters—had the marketing and distribution networks to ensure significant international sales of Iranian oil, Hoover believed that any Iranian agreement must, of necessity, include them as well as the AIOC. The trick would be selling the idea to the Iranian, British, and American governments, to the AIOC, and to the major American oil companies.48

During preliminary discussions with representatives of both the British and the Iranian governments in the autumn of 1953, Hoover laid the basis for his consortium. His talks with the British in Washington in late September and early October were "frank and cooperative." The assembled officials reaffirmed the need for Anglo-American cooperation in Iran and for an Iranian settlement that did not endanger concessionary agreements in other parts of the world. Although Hoover did not specifically mention the idea of a consortium in his talks with the British, he
was confident that they could be brought to accept the idea.  

Hoover's meetings with the Iranian government in late October and early November were more substantive and yielded more definitive results. Prime Minister Zahedi emerged from these talks convinced that Iranian oil could only reenter world markets if competitively priced, which meant in his mind surrendering production control to a foreign agency that could restart the industry and run it efficiently. Although Iranian public opinion prevented the AIOC's return as the sole operator of Iranian oil production, the prime minister was willing to see the AIOC participate as a minority member in an international consortium of companies. The first hurdle on the road to a final solution had been cleared.  

Hoover's next task was to sell the consortium scheme to policymakers in London, who seemed surprisingly receptive. Foreign secretary Eden admitted in early November that political sentiments in Iran made it "impractical" for the AIOC to reassume its former monopoly there. It would have to return to Iran as part of a consortium of companies, even if such an arrangement damaged the AIOC's "prestige." By early December, even Sir William Fraser, chair of the company's board of directors, seemed resigned to the idea of a consortium. It was far more difficult to convince Fraser and other British officials to limit the AIOC's participation in the new consortium. Both the British government and the AIOC were reluctant to settle for less than majority control of the proposed consortium, and it was several months before a compromise was arranged. The delay did not trouble Hoover, for whom composition of the consortium was a procedural matter to be settled later. The important point in his mind was that the AIOC had agreed to surrender a portion of its former stake in Iranian oil to a consortium of other companies; another obstacle to a final settlement had been removed.  

More progress followed when representatives of the major American oil companies tentatively agreed to join an Iranian consortium. The companies had
initially been reluctant to discuss their role in an international consortium, because in April 1953 the Justice Department had complied with Truman's order to file a civil antitrust suit charging the oil companies with "conspiracy to restrain interstate and foreign trade." With the Justice Department's permission, however, American oil executives accepted Fraser's invitation to come to London in mid-December for "preliminary and hypothetical" discussions on the topic. As the talks progressed, it became clear to the American group that "adequate sources [of] supply elsewhere" made the acquisition of Iranian oil unnecessary from a strictly "commercial standpoint." But it also became clear that the American companies would "consider any constructive solution" to the Iranian problem, even their participation in a multinational consortium, "if requested to do so by [the] US Government."

In arranging such a request, Hoover ran up against two conflicting strands of American policy. On the one hand, the National Security Council on 2 January 1954 had affirmed the importance of an Iranian oil settlement and of an American role in arranging it. But on the other hand, the Justice Department's antitrust suit against the American majors threatened progress toward what appeared to be the only practical settlement--an international consortium with substantial participation by the five largest American oil companies. Securing U.S. participation in the consortium required the permission of Attorney General Herbert Brownell, because the new arrangement would constitute the kind of joint ownership and production that the antitrust suit sought to eliminate. Hoover pressed for Brownell's approval, as did Secretary of State Dulles, Ambassador Henderson, Secretary of Defense Charles E. Wilson, and President Eisenhower, all of whom considered the reintegration of Iranian oil into world markets more important than the antitrust suit filed by the Justice Department. Representatives of the major American oil companies made the same argument in a meeting with government officials in early January, and by the end of the month Brownell had relented. Under his ruling, the
American and foreign companies could not jointly control the sale of Iranian oil in world markets; each of the companies had to market its share of Iranian oil individually. But the American firms could participate in a consortium for the "production, refining, and acquisition" of Iranian oil without violating the antitrust laws. This part of Brownell's decision cleared the path to American participation in the consortium that Hoover envisioned and pointed up how national security considerations had come to overshadow other concerns in American policymaking.

After winning support from all of the interested parties--the Iranian, British, and American governments, the AIOC, and the American majors--Hoover set about actually creating the consortium. The first order of business was to arrange a division of the interest in the new venture. For "prestige, financial and sentimental reasons," the AIOC pushed relentlessly for a controlling share. But for practical reasons the State Department would not go along. The Iranian government would concede the AIOC no more than a minority share, the department said, and its position was "overriding." Also important was the reluctance of the American companies, who said that they had no commercial interest in Iranian oil and were only participating as a "public service," to subordinate themselves to the AIOC. With both the Iranians and the American companies unwilling to grant the AIOC a dominant interest in the proposed consortium, and with the cooperation of both essential to the success of the enterprise, the State Department refused to sanction any agreement that did not meet that requirement. In the end, the British proposed a compromise that all sides accepted. The AIOC agreed to enter the consortium as a minority shareholder so long as the Royal Dutch Shell Company also joined the group on terms that gave the two British firms a majority of the stock. Accordingly, the AIOC and a group of five American companies--Standard Oil of New Jersey, the Socony-Vacuum Oil Company, the Texas Company, Standard Oil of California, and the Gulf Oil Corporation--each received 40 percent of the consortium's shares, with
14 percent going to Royal Dutch Shell and 6 percent to the Compagnie Française de Pétroles.57

Relatively rapid and satisfactory arrangements for a division of stock in the Iranian consortium were offset by the AIOC's "insensitive" and "utterly unrealistic" attitude regarding compensation. In mid-March, discussions in London reached a stalemate when Fraser announced that the company expected to receive both direct compensation from the other consortium participants for the 60 percent interest in Iranian oil operations they would be assuming and indirect compensation from Iran in the form of free oil for the physical assets and future profits it would lose as a result of nationalization. The other companies agreed to the AIOC's first claim, finally settling on a total of $1 billion, with $150 million payable immediately and the remainder paid over the next twenty-four years. But the AIOC's second demand--direct payments in free oil from Iran--was unthinkable for a number of reasons. To begin with, an arrangement like this would reduce the amount of oil production to be divided among members of the group as a whole and the profits on that production, which the American companies wanted to divide equally with the government of Iran. To the Americans, the British proposal was inherently unfair and would call into question the fifty-fifty profit-sharing arrangements they had with other oil states. In addition, by assessing the Iranians for the loss of future profits, the AIOC was "asking to be paid twice" for the same losses, "once by the consortium and once by Iran." This too was unacceptable to the other parties involved. Finally, the British demand had to be rejected lest it again arouse Iranian fears of unreasonable compensation and place the entire consortium scheme in jeopardy.58

Because neither the U.S. government nor the American consortium companies wanted to be tarred by the British brush, they insisted that the question of Iran's compensation to the AIOC, which had earlier proved to be the sticking point in reaching an agreement with Mossadegh, be removed from the company's purview
and become instead a subject for direct negotiations between the British and Iranian governments. In effect, the British government was given charge of the compensation question "in order [to] avoid [an] impasse" that could stall the negotiations or wreck them entirely. It is interesting to note that this decision, if taken earlier, might have broken the deadlock that led the British and American governments to overthrow Mossadegh's regime.59

In negotiations from mid-April through early August 1954, the newly formed consortium and the Iranian government hammered out the details of a final settlement.60 Neither side left the bargaining table with all that it wanted, although the consortium clearly got the better of the deal. To maintain the façade of nationalization, the Iranian government retained title to the nation's oil. But because Iran lacked the technical know-how to develop the oil or the ability to market it worldwide, actual control of the oil industry was vested in two new companies owned by the consortium--the Iranian Oil Exploration and Producing Company and the Iranian Oil Refining Company. These companies, which would act as agents for the National Iranian Oil Company, would be registered in Iran but subject to Dutch commercial laws. Each would have seven directors, only two of whom would be appointed by Iran. Iran was to receive 50 percent of the industry's net profits from production, but nothing from its marketing or distribution operations. These and other features of the agreement were to run for twenty-five years, until 1979, at which point the consortium had the option of three five-year renewals that could extend the life of the agreement until 1994.61 As the Americans had wanted, the question of compensation was settled through a separate agreement negotiated between the British and Iranian governments. Under its terms, Iran had to pay the AIOC a total of £25 million in ten equal annual installments beginning 1 January 1957. This sum amounted to the difference between the company's claimed losses and the £50 million that Iran would have received had the 1949 supplemental
agreement been ratified. As if these contract terms were not bad enough for Iran, the coup de grâce to its quest for control of its oil industry came in the provision permitting the consortium alone to decide how much oil the country would produce. Under a complicated and secret arrangement, the eight participating companies would have complete control over production levels, which they termed the "aggregate programmed quantity (APQ)." The specifics of the APQ formula are not as important as its results: It restricted Iranian production so that the consortium companies could maintain present production levels in other parts of the world and prevent a price-depressing surplus of oil on the world market. This clandestine agreement, made public in 1974, was apparently the price the American majors exacted for their participation in the consortium. It was their way of guaranteeing that the Iranian settlement did not disrupt their relations with Kuwait, Saudi Arabia, and other oil-producing countries. By placing Iran at the mercy of the consortium, however, this secret production agreement laid the basis for future Iranian discontent with Western control of its oil--discontent that would grow for decades before exploding in the 1970s.

In fact, Iranian disappointment with the agreement was evident at the time it was signed, and for reasons that are not hard to discover. To be sure, the agreement enabled Iranian oil to reenter world markets, thereby generating substantial revenues for the Iranian government. Indeed, the fifty-fifty profit-sharing arrangement provided Zahedi's government with oil royalties larger than earlier Iranian governments had received under previous contracts with the AIOC. The agreement had other points to recommend it as well, including Iran's right to appoint members to the boards of the production and refining companies and a figure for Iran's compensation to the AIOC that was so low, ironically, that even Mossadegh might have accepted it. The miniscule amount of compensation suggests
that although Anglo-American officials had intervened in Iran's internal affairs at least in part in order to settle the oil dispute, they were still not able to ignore public opinion in Iran or to run roughshod over the government they had installed. Nevertheless, the agreement was a far cry from nationalization. Under its terms, Iran would surrender real control of its petroleum industry to the consortium's refining and production companies. It would receive no profits from the consortium's refining and marketing operations and exert no control over how much oil the consortium produced. In signing the agreement, the Iranian government in effect would be signing away these and other rights until as late as 1994.

Given these shortcomings, it is not surprising that neither the shah nor Zahedi was particularly pleased with the proposed agreement. But they and other Iranian officials, including Finance Minister Ali Amini, who headed the country's negotiating team, really had no choice but to go along. The shah and his prime minister were well aware of their debt to the Anglo-Americans, which had to be repaid with an oil agreement favorable to the West. In presenting the final agreement to the Majlis on 21 September, Amini said that it was the "best obtainable" under the circumstances and that the government was "not prepared [to] renegotiate." Although there was some debate over the agreement in both the Majlis and the Senate, progovernment forces effectively kept dissent to a minimum. On 21 October the Majlis approved the consortium agreement by a vote of 113 to 5, with 1 abstention; the Senate vote a week later was 41 votes in favor, 4 against, and 3 abstentions. The shah signed the oil bill into law the following day. The bill put an end to Iran's long national nightmare, but laid the foundation for the nation's eventual revenge as well.64

In what might be termed a postscript to the oil agreement—or perhaps as partial payment for Iran's acceptance of a less-than-ideal settlement—the United States agreed in late 1954 to increase its military assistance to Iran. The shah had
been calling for a drastic increase in such aid since the Mossadegh coup, but American leaders had been reluctant to comply. Ostensibly, their lack of enthusiasm stemmed from doubts about the ability of the Iranian army to handle the sophisticated equipment that the shah wished to obtain. These concerns may have been justified, but it was more likely that American leaders withheld aid in order to leverage Iran into negotiating an oil agreement that rolled back nationalization and kept control of Iran's petroleum industry firmly in the hands of the Western powers. Hoover, in fact, had suggested such a tactic at a meeting of the National Security Council on 27 May 1954. Whatever the reason for the delay, the fact remains that after the oil crisis was settled, Iran soon emerged as a major recipient of U.S. economic and military aid, becoming in effect a U.S. "client state."65

The resolution of the Anglo-Iranian oil crisis resulted from a critical shift in American policy that coincided with the beginning of a new administration in Washington. From the start of the oil crisis, policymakers in the Truman administration had pushed aggressively for a negotiated settlement. On the one hand, they had called for a firm, commercially acceptable agreement between Iran and the AIOC, one that did not set a dangerous precedent or encourage nationalization elsewhere. On the other, they advocated a flexible approach to the oil question that would make a settlement possible before Iran collapsed internally or succumbed to Soviet penetration. It is true that American policy in the Truman years saw a shift from honest broker to British partner. The Americans began to support the British position in Iran, just as they supported the British in Egypt and would soon back the French in Indochina. Despite this shift, however, the administration had continued to press the British as well as the Iranians toward concessions that would expedite a final settlement. In part, the Truman
administration was restrained by what seemed to be an inherent opposition to covert operations against the legitimately elected government in Iran. In part, it was restrained by commitments in other parts of the world--to economic and military aid for Western Europe, to the struggle in Korea, and to a global partnership with the British, all of which made it difficult for the administration to be as aggressive in resolving the Anglo-Iranian crisis as might otherwise have been the case.

The Eisenhower administration faced none of these restraints. It was ideologically amenable to the idea of covert operations and economically free to pursue them after the conclusion of both the European Recovery Program and the Korean War. Like their predecessors, the Republicans were committed to a partnership with the British and to securing Iran and its resources for the West. The difference seemed to be that the internal economic and political crisis in Iran appeared to peak coincidentally with the start of the new administration in Washington. This had the effect of pushing Eisenhower and Dulles toward political options that the Truman administration had been reluctant to consider. With the situation in Iran collapsing and with American policymakers convinced that chaos there would strengthen the Tudeh party and open the door to Soviet expansion through Iran to the Persian Gulf and beyond, the Eisenhower administration made an early decision to use a covert operation to replace Mossadegh's regime with a government more sympathetic to American interests. To be sure, the administration offered to negotiate a settlement based on the revised Anglo-American proposals of 20 February. But these proposals represented little more than an extension of the unsuccessful scheme first hammered out in the Truman administration. In addition, they came at a time when the new government in Washington was committing itself in principle to toppling the Iranian government. Under these circumstances, it is difficult to escape the conclusion that Eisenhower and his colleagues were convinced from the start that serious negotiations had to
give way to a covert operation.

If American policy underwent several transformations, reaching a final turning point with the new Eisenhower administration, British policy remained remarkably consistent during the Anglo-Iranian crisis. At stake for the British, of course, were the AIOC's vast holdings in Iran, which not only fed oil to the British military and the British economy but also generated foreign currency for the British Treasury, thereby improving Britain's always tenuous balance of payments. But Britain's stake was far greater than this calculation suggests. The British had substantial investments around the world, including large holdings in the Middle East and other Third World regions, and were naturally unwilling to establish a precedent in Iran that might encourage and reward nationalization elsewhere. At a time when British policymakers were keenly aware of the diminishing overall status of their global empire, it is not surprising that they were sensitive to any American suggestions that might undermine their position in Iran. Given these concerns, the British adopted a stubborn policy that always seemed to stop one concession short of permitting a final settlement, especially in the early years of the controversy. Indeed, it is hard to escape the conclusion that British policymakers sought throughout the crisis to block a settlement, convinced that this strategy would leave the Americans with no choice but to support them and the Iranians with no choice but to concede or face certain economic and political disaster.

The course of Iranian policy during the Anglo-Iranian oil crisis is harder to assess, in part because Iranian archives are not available and the amount of published Iranian documentation is extremely limited. There can be no doubt, however, that the Iranians had a right to nationalize their oil, a right that the Americans conceded, and to seek a fair settlement of the issue with the AIOC. Nor can there be any doubt that in the early days of the dispute Iranian expectations, though difficult to pin down, offered a reasonable basis for a settlement.
Mossadegh became prime minister, for example, the Iranians would have settled for a fifty-fifty profit-sharing arrangement that left the AIOC in control of the oil industry. Indeed, these terms are not much different from what the Anglo-Americans conceded at the end of crisis. By the time Mossadegh came to power, however, it was no longer possible for the Iranians to settle on these terms, not so much because Mossadegh was unreasonable but because the crisis had escalated and the political situation in Iran limited the prime minister's freedom to maneuver. If Mossadegh did not appear to get the maximum advantage from the British, he exposed his government to criticism from members of the National Front and especially from the Tudeh. On the other hand, the more determined he was to get the best possible settlement for Iran, the more likely he was to alienate the shah, elements in the military, and other conservative forces who were critical of his regime and who maintained generally close, if covert, relations with the British.

This kind of situation made it difficult for Mossadegh and the Iranians to work constructively toward a settlement. Nor did Mossadegh's sometimes quirky personality help matters. Although the British and the Americans often revealed an imperious, condescending attitude in their commentaries about Mossadegh and other Iranians, an attitude that certainly impeded progress toward a friendly settlement, it is also true that their complaints regarding Mossadegh have at least some credibility. According to many accounts, sometimes the prime minister did appear to be confused, to find it difficult to comprehend economic details, to be moody and emotional, to faint dead away, or pretend to do so, in the midst of demanding negotiations. What the Americans and the British may not have understood was that Mossadegh, by some accounts at least, was quite capable of resorting to theatrics in hopes of manipulating discussions. What Mossadegh did not understand was that his resort to dramatics made it easier for the British and the Americans to dismiss him, just as his constant warnings of a Communist takeover in
Tehran did not produce concessions from the Anglo-Americans so much as they strengthened their resolve to overthrow his regime.

Out of this three-way clash came the collapse of Mossadegh's regime and the oil settlement described in this chapter. In the short term, of course, the British, the Americans, and the oil companies appeared to be substantial winners. Under the consortium agreement, Iranian nationalization became a façade for continued Western domination of the Iranian oil industry. In the long term, however, it may well be true that the inability of the British and the Americans to deal with Mossadegh, whose politics seem moderate in hindsight, cleared the path not so much for the shah and his agents over the next three decades but for the far more radical, dangerous, and anti-Western regimes that would follow after 1979.
1See Henderson tel. 2814 to State Department, 21 January 1953, RG 59, 888.2553/1-2153; Gifford tel. 4039 to State Department, 22 January 1953, RG 59, 888.2553/1-2253; Dulles tel. 1840 to American embassy, Tehran, 22 January 1953, RG 59, 888.2553/1-2253; FO tel. 302 to British embassy, Washington, 23 January 1953, FO 371, 104610/EP1531/106; and Henderson tel. 2847 to State Department, 23 January 1953, RG 59, 888.2553/1-2353.


5See the sources cited in the immediately preceding note.


8Henderson tel. to State Department, 20 February 1953, FRUS, 1952-1954 10:670-74. See also Henderson tel. 3296 to State Department, 20 February 1953, RG 59, 888.2553/2-2053.

9Henderson tel. to State Department, 22 February 1953, FRUS, 1952-1954 10:674-77. See also Henderson tels. (2) to State Department, 23 and 24 February 1953, ibid., 679, 680-81; and Azimi, Crisis of Democracy, 313-15.

10The shah's claims may be found in Mohammed Reza Shah Pahlavi, Mission for My Country (London, 1961). Mossadegh's version is contained in, among other sources, Azimi, Crisis of Democracy, 315-16; Katouzian, Musaddiq, 171-72, 178-83; and idem, ed., Musaddiq's Memoirs, 273-78.


12The fullest account of these charges is contained in Mossadegh's report to the Majlis. See Katouzian, ed., Musaddiq's Memoirs, 296-305. Later that spring, in a desperate effort to rescue his declining political fortunes, Mossadegh made the incident public by releasing his statement before the Majlis to the press on 6 April.

13See Henderson tel. 3532 to State Department, 4 March 1953, RG 59, 888.2553/3-453.


15Eden, Full Circle, 236.


18See the sources cited in the two immediately preceding notes.

19Henderson tel. 3548 to State Department, 5 March 1953, RG 59, 888.2553/3-553; Henderson tel. 3688 to State Department, 14 March 1953, RG 59, 888.2553/3-1453. See also FO tel. 1088 to British embassy, Washington, 7 March 1953, FO 371, 104613/EP1531/211; Henderson tel. to State Department, 9 March

21See Ramsbotham minute, with enclosed draft letter to Makins, 2 April 1953, FO 371, 105165/UES1538/6; N. W. Tyson (State Department) memorandum, "Iran," 20 April 1953, RG 59, 888.2553/4-2053; and Gasiorowski, Client State, 73-75; Katouzian, Musaddiq, 183-85; and Azimi, Crisis of Democracy, 320-21.

22Carr despatch 933, "Monthly Economic Survey, Iran, April 1953," 12 May 1953, RG 59, 888.00/5-1253. See also J. H. Brook (Ministry of Fuel and Power) to Ramsbotham, with enclosed paper, "Memorandum on Possible Scope for Sale of Persian Oil and Consequent Effects of Such Sales," 16 April 1953, FO 371, 105165/UES1538/12.

23See Ramsbotham minute, with enclosed draft letter to Makins, 2 April 1953, FO 371, 105165/UES1538/6; N. W. Tyson (State Department) memorandum, "Iran," 20 April 1953, RG 59, 888.2553/4-2053; and Gasiorowski, Client State.

24Henderson tel. to State Department, 8 May 1953, FRUS, 1952-1954 10:726-27. See also Katouzian, Musaddiq, 184-85; and Azimi, Crisis of Democracy, 321-23.


29Kim Philby (British intelligence operative who later defected to the Soviet Union) quoted in Kuross A. Samii, Involvement by Invitation: American Strategies of Containment in Iran (University Park, PA, 1987), 115.

30See Roosevelt, Countercoup, 120-22.

31See NSC Planning Board report to the NSC, "Statement of Policy Proposed by the National Security Council on a National Petroleum Policy," 20 May 1953,
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32See Azimi, Crisis of Democracy, 323-24; Zabih, Mossadegh Era, 104; and Katouzian, Musaddiq, 185-86.


34Mossadegh quoted in Katouzian, ed., Musaddiq's Memoirs, 336. See also ibid., editor's introduction, 65-67; and idem, Musaddiq, 186-87.

35Mattison tels. (2) to State Department, 14 and 17 July 1953, FRUS, 1952-1954 10:735-37; Azimi, Crisis of Democracy, 329-30; and Zabih, Mossadegh Era, 110-11.

36See Azimi, Crisis of Democracy, 330; and Zabih, Mossadegh Era, 111-12.

37Mossadegh quoted in Zabih, Mossadegh Era, 113.


39Mattison tel. to State Department, 17 July 1953, FRUS, 1952-1954 10:736-37; Mattison tel. to State Department, 12 August 1953, ibid., 742-44; Mattison tel. to State Department, 25 July 1953, ibid., 738-39; Berry tel. to State Department, 17 August 1953, ibid., 746-48.

40See Berry tel. to State Department, 17 August 1953, FRUS, 1952-1954 10:746-48; Gasiorowski, Client State, 74-76; Samii, Involvement by Invitation, 113-17; and Roosevelt, Countercoup, 145-49, 155-57.


42Eden, Full Circle, 237.

43Henderson tel. to State Department, 27 August 1953, FRUS, 1952-1954 10:769-71. See also Henderson tel. to State Department, 11 September 1953, ibid., 791-94; Katouzian, Musaddiq, 208-9; and Zabih, Communist Movement, 208-10.


45On Mossadegh's trial see Melbourne despatch 416, "Transmittal of Verdict against Mosadeq and Riahi," 14 January 1954, RG 59, 788.13/1-1454; Cottam,
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