C01384460

208

~~SECRET~~

THE BATTLE FOR IRAN

Contents

I. INTRODUCTION

II. IRAN, ANCIENT AND MODERN
- A. The Nation
  - 1. Imperial Past
  - 2. The People
  - 3. The Economy
  - 4. Politics and Government
- B. Between Russia and The West
  - 1. Aggression from the North
  - 2. The Oil Dispute, 1949-53
  - 3. Iran and U.S. Foreign Policy

III. COVERT ACTION
- A. The Genesis of TPAJAX
- B. The Planning Phase
- C. Putting the Plan into Action
- D. Involving the Shah
- E. The First Attempt--and Failure
- F. Turning Defeat Around

IV. THE AFTERMATH OF VICTORY

V. THE LONG VIEW OF THE COVERT ACTION IN IRAN

APPENDICES

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

~~SECRET~~

EO 13526 3.3(b)(1)>25Yrs
EO 13526 3.3(b)(6)>25Yrs

APPROVED FOR RELEASE:
21-Jun-2011

CLASSIFICATION REVIEW EO 12065
CONDUCTED ON 20 May 81
DERIVATIVE CL BY
☐ DECL ☐ DOWNGR TO
REVW ON JAN 84
DERIVED FROM DOL

C01384460

FOREWORD

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

[redacted]
CIA History Staff

C01384460

THE BATTLE FOR IRAN

I. INTRODUCTION

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

II. IRAN, ANCIENT AND MODERN

A. The Nation

1. Imperial Past

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

---

1 See Appendix B for a brief biography of Mosadeq.

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

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

2. The people

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

---

[3] See Appendix B for biographic details on Reza Shah.

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

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

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

derived from agricultural landholdings. Below the elite was the upper middle class that included government officials, professional men, importers, bankers, and merchants. The urban middle class consisted mainly of small merchants, craftsmen, lower level clergy, and teachers and as a group had not benefited greatly from the economic development and educational opportunities of the previous two decades. The day laborers, street vendors, and service workers were at the bottom of the urban class structure. Most of the country's people were working in the 1950 era as tenants, bound to their landlords by an almost feudal system. Outside the Iranian social structure were the tribes, whose social system in times of peace impeded the progress and modernization of Iran and was a source of weakness. In times of stress, however, the tribes were a source of strength; in the 1941-45 period, they remained relatively untouched by the general collapse, but while retaining some internal stability, the tribes nonetheless contributed to national confusion and disorder through their clannish narrow-mindedness, tribal rather than national loyalties, and readiness to resort to violence.

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

[4] John Marlow in Iran: A Short Political Guide, Frederick A. Praeger; New York; 1963.

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

3. The economy

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

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

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

4. Politics and government

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

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

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

C01384460

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

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

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

[6] His biography appears in Appendix B.

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

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

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

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

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

B. Between Russia and the West

1. Aggression from the North

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

---

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

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

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

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

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

also declared that the 1907 treaty with Britain was no longer binding. In an additional note of 26 June 1919, the Russians annulled all Iranian debts, renounced all Russian concessions in Iran--including the Russian Discount Bank and all railroads, harbors, and highways built by them--and declared the capitulations (privileges and exemptions guaranteed to Russian citizens in Iran) null and void. The Soviet-Iranian Treaty of Friendship of February 1921 formalized the provisions of the 1919 note, renounced any interference in one another's internal affairs, gave Iran the right to maintain naval forces in the Caspian Sea, and permitted Russia to send troops into Iran if it should become a base for a third-country threat to the Soviet Union. (This final provision, which originally applied to White Russian forces, was subject to Soviet interpretation of what constituted a threat and was a significant factor in restraining forceful British response to the Iranian takeover of the oil industry in 1951.)

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

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

C01384460

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

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

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

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

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

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

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

C01384460

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

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

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

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

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

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

free to accept or reject the Soviet offer, and that in any case Iran would be supported by the United States against Soviet threats or pressure. Citing American policy aimed at removing the fear of aggression anywhere in the world, Allen said:

> The United States is firm in its conviction that any proposals made by one sovereign government to another should not be accompanied by threats or intimidation. When such methods are used in an effort to obtain acceptance doubt is cast on the value of the proposals.
>
> Our determination to follow this policy as regards Iran is as strong as anywhere else in the world. This purpose can be achieved to the extent that the Iranian people show a determination to defend their own sovereignty. Patriotic Iranians, when considering matters affecting their national interest, may therefore rest assured that the American people will support fully their freedome to make their own choice.
>
> Iran's resources belong to Iran. Iran can give them away free of charge or refuse to dispose of them at any price if it so desires.[9]

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

2. The Oil Dispute, 1949-53

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

---

9 The New York Times, 12 September 1947

official investment was obvious; Winston Churchill became First Lord of the Admiralty in 1911 and forced the decision, which had been debated for nearly a decade, to convert the Royal Navy from burning coal to burning oil. On the brink of a major war, the navy had to be assured of a source of oil, which was both efficient and cheap. The Anglo-Persian (Anglo-Iranian, after 1935) Oil Company continued to extract oil under its original concession for the next 30 or so years, building pipelines as well as a large refinery at Abadan. The concession was renegotiated in 1933 to give Iran a greater share of the net profits and to modify the concession area. Managers and technicians continued to be either British or Indian, with the Iranians providing unskilled or semiskilled labor.

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

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

was named Premier, and the proposed Supplemental Agreement was turned over to the Majlis Special Oil Commission for study in June 1950, the same month in which Gen. Ali Razmara, a former Chief of Staff, became Premier. The commission's report to the Majlis stated that the agreement did not adequately secure Iran's rights and should not be ratified. Razmara's Minister of Finance then withdrew the agreement and reopened negotiations with the AIOC, which by February 1951 was willing to agree to a 50-50 profit sharing similar to the agreement that Aramco had worked out with Saudi Arabia. Razmara, however, had asked a group of experts to study the feasibility of nationalization of the oil industry; their view was that Iran lacked sufficient technical expertise to run the industry, that the concession could not legally be cancelled, that heavy compensation would be due Britain, and that both foreign exchange and prestige would be lost by hasty nationalization. When Razmara opposed immediate nationalization as impractical under the circumstances, he was assassinated on 7 March 1951 by a member of Fedayan Islam, the rightist religious - terrorist group. Hosein Ala briefly succeeded Razmara as Premier, and the Majlis approved the principle of nationalizing oil. When Ala resigned in April, the Majlis voted to recommend Mosadeq to the Shah as Premier, and he was appointed to the post on 29 April. Acting swiftly, the Majlis approved on 1 May a nine-point nationalization law. This act began a summer of hectic but fruitless bargaining that culminated in impasse and the departure in October 1951 of British managers and technicians.

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

C01384460

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

3. Iran and U.S. Foreign Policy

United States foreign policy under President Harry Truman has

---

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

C01384460

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

> I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.
>
> I believe that we must assist free peoples to work out their own destinies in their own way.
>
> I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.
>
> The world is not static, and the status quo is not sacred. But we cannot allow changes in the status quo in violation of the Charter of the United Nations by such methods as coercion, or by such subterfuges as political infiltration. In helping free and independent nations to maintain their freedom, the United States will be giving effect to the principles of the Charter...
>
> Should we fail to aid Greece and Turkey in this fateful hour, the effect will be far-reaching to the West as well as to the East.... [1]

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

---

[1] Public Papers of the Presidents of the United States: Harry S. Truman, 1947. U.S. Government Printing Office; Washington, D.C.; 1963; pp.178-9

C01384460

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

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

---

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

charmed or talked out of existence."[13]

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

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

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

---

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

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

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

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

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

---

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

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

C01384460

C01384460

III. COVERT ACTION

A. The Genesis of TPAJAX

The many chroniclers of Central Intelligence Agency misdeeds, whether in their books, magazine articles, or newspaper columns, have long placed the August 1953 coup that overthrew Premier Mosadeq near the top of their list of infamous Agency acts. Complete secrecy about the operation that was known under the cryptonym of TPAJAX has been impossible to enforce under existing laws, and enough talkative people, including many Iranians, were privy to segments of the operation to make it relatively easy for journalists to reconstruct the coup in varied but generally inaccurate accounts.[17] The point that the majority of these accounts miss is a key one: the military coup that overthrew Mosadeq and his National Front cabinet was carried out under CIA direction as an act of U.S. foreign policy, conceived and approved at the highest levels of government. It was not an aggressively simplistic solution, clandestinely arrived at, but was instead an official admission

that normal, rational methods of international communication and commerce had failed. TPAJAX was entered into as a last resort.

The target of this policy of desperation, Mohammad Mosadeq, was neither a madman nor an emotional bundle of senility as he was so often pictured in the foreign press; however, he had become so committed to the ideals of nationalism that he did things that could not have conceivably helped his people even in the best and most altruistic of worlds. In refusing to bargain--except on his own uncompromising terms--with the

[17] A number of these are included in Appendix C.

C01384460

Anglo-Iranian Oil Company, he was in fact defying the professional politicians of the British government. These leaders believed, with good reason, that cheap oil for Britain and high profits for the company were vital to their national interests. There had been little in their experience to make them respect Iranians, whom company managers and Foreign Office representatives saw as inefficient, corrupt, and self-serving. That the British misjudged their adversaries badly is obvious; they were convinced that when Iran felt the financial pinch, its resolve would crumble, and an agreement could be worked out to the satisfaction of both sides.

In fact, of course, the loss of oil revenue did not bring the Iranians to their knees; it merely forced them to take the risky steps that increasingly endangered their country's future. It was the potential of those risks to leave Iran open to Soviet aggression--at a time when the Cold War was at its height and when the United States was involved in an undeclared war in Korea against forces supported by the U.S.S.R. and China--that compelled the United States in planning and executing TPAJAX.

How real were the risks in what Mosadeq was doing? Had the British sent in the paratroops and warships, as they were to do a few years later against the Egyptians at Suez, it was almost certain that the Soviet Union

---

18 In his article in the 5 January 1952 Saturday Evening Post, entitled "What went Wrong in Iran?"

C01384460

would have occupied the northern portion of Iran by invoking the Soviet-Iranian Treaty of Friendship of 1921. It was also quite probable that the Soviet army would have moved south to drive British forces out on behalf of their Iranian "allies." Then not only would Iran's oil have been irretrievably lost to the West, but the defense chain around the Soviet Union which was part of U.S. foreign policy would have been breached. The Soviets would have had the opportunity to achieve the ancient Russian dream of a port on the Persian Gulf and to drive a wedge between Turkey and India. Under such circumstances, the danger of a third world war seemed very real. When it became apparent that many elements in Iran did not approve of Mosadeq's continuing gamble or the direction in which he was pushing their country, the execution of a U.S.-assisted coup d'etat seemed a more desirable risk than letting matters run their unpredictable course. Mosadeq was already openly threatening to turn to other sources for economic help--the Soviets--if Britain did not meet his demands or if the United States did not come forth with massive aid to replace his lost oil revenue. Peacefully or in war, the Soviet Union appeared to be the only potential beneficiary of Mosadeq's policies.

C01384460

C01384460

The fact that this decision and the staff work preceding it were very closely held in Washington is borne out by a memorandum of 10 June 1953 from the Office of Greek, Turkish, and Iranian Affairs (GTI) to the Assistant Secretary of State for Near Eastern, South Asian, and African Affairs recommending policies more supportive of Mosadeq. It reasoned that since conditions in Iran were deteriorating almost to the point of no return and since an attempt to remove Mosadeq would risk a civil war and would, even if successful, alienate the Iranian people, we should increase our financial and technical assistance to Iran in the hope that Mosadeq would be able to muddle through. The desk officers' position paper recognized that increased U.S. aid would, of course, frustrate British policy, which was to undermine Mosadeq's position. By late June, however, State was aware of the planned operation, and a further position paper that stipulated certain conditions to be met by the British was prepared on 25 June, as described in the discussion of planning, below.

B. The Planning Phase

EO 13526 3.3(b)(1)>25Yrs

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

EO 13526 3.3(b)(1)>25Yrs

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

Whose Oil? An Abbreviated History of the Anglo-Iranian Oil Dispute, 1943-53

In 1872, the then Shah of Persia, Naser ad-Din, in return for much-needed cash, gave to Baron Paul Julius de Reuter a concession to exploit all his country's minerals (except for gold, silver, and precious stones), all its forests and uncultivated land, and all canals and irrigation works, as well as a monopoly to construct railways and tramways. Although the resulting uproar, ~~especially~~ from neighboring Russia, caused this sweeping concession to be cancelled, de Reuter, who was a German Jew with British citizenship, persisted and by 1889 regained two parts of his original concession--the operation of a bank and the working of Persia's mines. Under the latter grant, de Reuter's men explored for oil without great success, and the concession expired in 1399, the year the Baron died. Persian oil rights then passed to a British speculator, William Knox D'Arcy, whose first fortune had been made in Australian gold mines. The purchase price of the concession was about 50,000 pounds, and in 1903 the enterprise began to sell shares in "The First Exploitation Company." Exploratory drilling proceeded, and by 1904, two producing wells were in. Shortly thereafter, British interest in oil was sharply stimulated by the efforts of Admiral Sir John Fisher, First Lord of the Admiralty, to convert the Royal Navy from burning coal to oil. As a result, the Burmah Oil Company sought to become involved in Persian oil and, joining with D'Arcy and Lord Strathcona, formed the new Concessions Syndicate, Ltd., which endured until 1907 when Burmah Oil bought D'Arcy out for 200,000 pounds cash and 900,000 pounds in shares. Burmah's first gusher came in at 1,180 feet in May 1908, near Masjed Soleyman, and a year later, after some complicated financial

C01384460

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

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

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

C01384460

In 1921, Reza Khan, a colonel commanding Division, of the Iranian cossacks ~~(formed in 1879 by Russian officers loaned by the Czar, whose cossack escorts Naser ad-Din Shah had admired on a visit)~~, seized power by deposing the government of the last Qajar Shah. He visited Abadan after becoming Shah himself in 1925, and his account of the trip gave warnings of things to come. He noted that of the 29,000 employees in the oilfields and refinery, 6,000 were foreigners, and he expressed concern that so few Persians were being trained for higher level posts. He also saw that the British staff enjoyed an obviously higher standard of living than the others, and that while the refinery area appeared prosperous, the surrounding districts had not felt any positive impact from this major industry in their area. Finally, he was disturbed by a manager's description of cutting down production in order not to upset world markets--but at a loss to Persia.

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

C01384460

parliament) and signed by Reza Shah on 28 May 1933; it extended the life of the concession to 1993 and set up a new royalty basis. By its terms Persia would receive 4 shillings on every ton of oil sold in Persia or exported, plus 20% of the dividends over £671,250 distributed to shareholders, with a minimum dividend of £750,000 per year. To avoid Persian taxation, the company agreed to pay a small additional royalty on tonnage, and it would continue to pay British taxes out of gross profits.

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

C01384460

~~SECRET~~

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

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

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

C01384460

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

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

C01384460

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

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

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

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

C01384460

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

The United States became seriously involved in these discussions for the first time in mid-May 1951. A State Department statement of 18 May urged both sides to try to find an agreeable compromise solution; it noted that the United States recognized the sovereign right of Iran to control its resources and industries but said that the technical knowledge, capital, and transport and marketing facilities were all controlled by the AIOC. It further stated that U.S. oil companies had indicated that they would not, in the face of unilateral Iranian action against the AIOC, be willing to undertake operations in Iran or provide technicians to work there. The note pleased neither Iran nor Britain, which was the object of U.S. pressure to accept the nationalization concept and work toward a compromise. At President Truman's urging, conveyed through Ambassador Grady in Tehran and

C01384460

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

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

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

C01384460

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

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

C01384460

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

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

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

C01384460

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

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

C01384460

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

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

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

C01384460

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

> I fully understand that the Government of Iran must determine for itself which foreign and domestic policies are likely to be most advantageous to Iran and the Iranian people. In what I have written, I am not trying to advise the Iranian Government on its best interests. I am merely trying to explain why, in the circumstances, the Government of the United States is not presently in a position to extend more aid to Iran or to purchase Iranian oil.
>
> In case Iran should so desire, the United States Government hopes to be able to continue to extend technical assistance and military aid on a basis comparable to that given during the past year.
>
> I note the concern reflected in your letter at the present dangerous situation in Iran and sincerely hope that before it is too late the Government of Iran will take such steps as are in its power to prevent a further deterioration of that situation.

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

* See attached map of concessions.

C01384460

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

C01384460

Bibliography

Cottam, Richard. Nationalism in Iran. University of Pittsburgh Press; Pittsburgh, Pa.; 1964

Ford, Alan W. The Anglo-Iranian Oil Dispute of 1951-1952. University of California Press; Berkeley and Los Angeles; 1954

Heravi, Mehdi. Iranian-American Diplomacy. Theo. Gaus' Sons, Inc.; Brooklyn, N.Y.; 1969

Marlowe, John. Arab Nationalism and British Imperialism. The Cresset Press; London; 1961

Marlowe, John. Iran--A Short Political Guide. Frederick A. Praeger; New York; 1963.

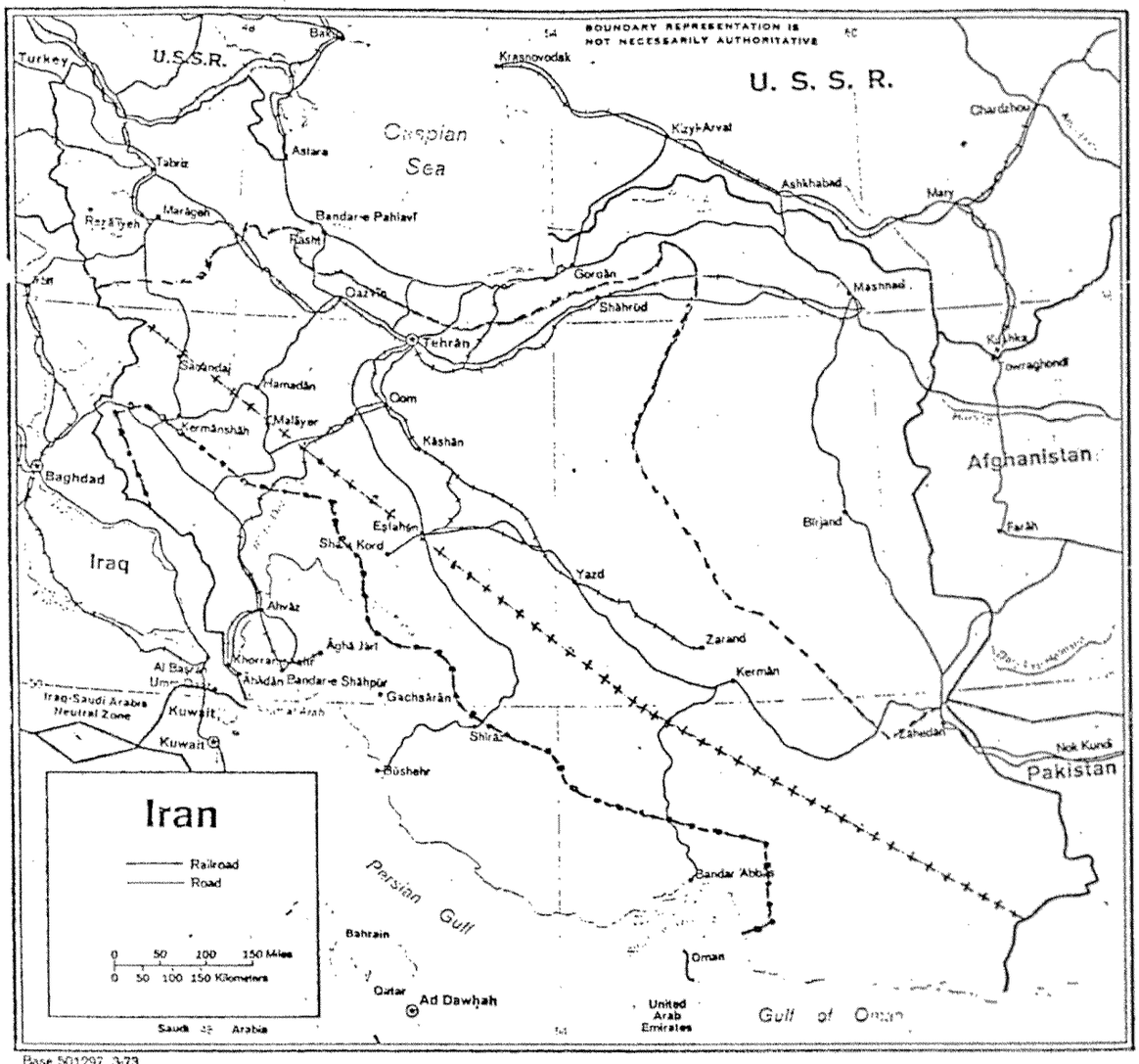
Elwell-Sutton, Lawrence P. Persian Oil--A Study in Power Politics. Lawrence and Wishart Ltd.; London; 1955.

Lenczowski, George. Oil and State in the Middle East. Cornell University Press; Ithaca, N.Y.; 1960.

C01384460

~~SECRET~~

Map, Appendix A



Base 501297 3-73

Oil Concession Boundaries

APOC concession, 1901 - – – – – – – – – –

APOC concession, 1933 - + + + + + + + + + +

Consortium concession, 1954 - –•–•–•–•–

~~SECRET~~

C01384460

~~SECRET~~

APPENDIX B

Biographic Sketches

MOHAMMAD MOSADEQ:

The bare bones of the life of the man who was Premier of Iran from 28 April 1951 to 19 August 1953 and who was the target of TPAJAX are these: [redacted] He was born about 1331 (1873 or 1879 are probably more accurate dates, but 1331 was always given as his official birth year because of the restrictions on the maximum age of Majlis deputies) in Tehran, his mother being a member of the ruling Qajar dynasty and his father the Minister of Finance for some 30 years. His family background was thus the elite, wealthy, landowning class. His secondary education ~~barely~~ complete, Mosadeq was sent to Khorasan as the Shah's financial agent while barely out of his middle teens. In 1906, forced into exile because of his role in the Constitutional Revolution that year, he went to Europe to study law at Paris, Liege, and Neuchatel, earning his LL.D. from the last institution in 1914. Returning to Iran, he was elected to the Majlis in 1915, serving on its financial committee. As Under Secretary of Finance in 1917, he resigned after only a few months in office because he was prevented from carrying out reforms in the notoriously padded payroll system. He became governor of Fars Province in 1921, but his criticism of Reza Shah led to arrest in 1930 and exile to the villages. He was again arrested in 1941 but was released in the general political amnesty after Reza Shah's abdication. Mosadeq was again elected to the Majlis in 1944, where in 1947 he organized the National Front, a small, tightly knit, and highly influential group. As a member of the oil commission, he gained in influence not only in the Majlis but among the people, and his April 1951 appointment as Premier was at the Majlis' request. From then until his removal from office in August 1953, he concentrated his energies on expropriating the British-owned

C01384460

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

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

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

C01384460

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

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

C01384460

MAJ. GEN. FAZLOLLAH ZAHEDI

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

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

C01384460

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

ARDESHIR ZAHEDI

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

MAJ. GEN. NADR BATMANGELICH

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

C01384460

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

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

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

C01384460

MOHAMMAD REZA SHAH PAHLAVI

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

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

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

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

C01384460

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

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

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

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

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

C01384460

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

C01384460

C01384460

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

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

C01384460

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

C01384460

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

C01384460

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