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The Oil Nationalization Crisis of 1951–53

Tant pis pour nous.

—Mosaddegh to American envoy Walter Levy, July 1951

Four years after the end of the Azerbaijan emergency, Iranians lived through another crisis, one that returned them to the forefront of world affairs. Once again, Iranians found themselves negotiating with a weak hand against powerful opponents for the highest of stakes—their national wealth, their sovereignty, and their destiny. In this case, the outcome for Iran was unfortunate, and their British and American adversaries won a Pyrrhic victory that would culminate in a disastrous defeat twenty-five years later.

In this crisis, the Iranians found themselves opposing the Anglo-Iranian Oil Company backed by the British government and, eventually, the American administrations of presidents Truman and Eisenhower. Once again, the Iranians had to negotiate against a backdrop of contentious domestic politics in which strong-willed individuals and opposing factions, many with powerful foreign backers, pursued competing objectives and made and unmade fragile alliances almost every day.

The events of that time have cast long shadows over Iran's foreign and domestic politics. Today, more than fifty years after this crisis, these incidents—and Iranians' perceptions of them—continue to bedevil both Iran's internal politics and its relations with the rest of the world.¹ In the long run, what happened in 1951–53—both its reality and the perception of that reality—had

1. For further discussion of the powerful mythology of the 1953 coup and its long-term effects, see the concluding chapter of this study, "Overcoming Mutual Myth-Perceptions."

the result of converting the United States, in many Iranians' eyes, from their friend to their enemy. The same powerful country that, less than a decade earlier, had supported Iran against Soviet attempts to detach one of its richest provinces and that many Iranians had believed would rescue them from centuries of British and Russian domination, now seemed to betray their hopes and became just another outside power determined to control Iran for its own purposes.

After August 1953, the United States became, for many Iranians, the new colonial master, the ultimate decider of their country's destiny, and the enemy of their hopes for achieving dignity and independence after so many years of humiliation. The same country that had urged Iran to reach a negotiated settlement with the AIOC had, in the end, short-circuited the negotiation and ignored Iranian sovereignty by staging the coup that removed a nationalist prime minister. The events of 1953 indelibly labeled Mohammad Reza Shah as an American puppet who owed his throne to his ability to please his foreign sponsors. The events also reinforced a deep cynicism in the nation's political culture. Many Iranians were now convinced that every evil in their society was the fault of the foreigner and that Iranians were not, and never could be, masters in their own house. Thus, as masters of nothing, they were responsible for nothing.

Whose Oil? Whose Country?

The broad outlines of the oil crisis are well known. In the late 1940s, Iranian nationalists were expressing rising dissatisfaction with existing terms of the agreements between the Iranian government and the AIOC, the concession holder for Iran's southwestern oil fields since the original 1901 concession the Qajar rulers had given to the William Knox D'Arcy group. The group had discovered oil in Khuzistan, at Masjed-e-Soleiman, in 1908, and in 1914, on the eve of the First World War, the British government acquired a 51 percent share in what was then the Anglo-Persian Oil Company (APOC).

The APOC and the Iranian government, now in the hands of a new (Pahlavi) dynasty, renegotiated the terms of their agreement in 1933. That 1933 arrangement did not satisfy the Iranians, but with Reza Shah having personally approved its terms, there was little anyone could openly say against it. Even Hassan Taqizadeh, Iran's finance minister and leader of the delegation that negotiated the agreement, claimed that it was signed "under duress."² The main features of the 1933 agreement were as follows:

2. Bill, *The Eagle and the Lion*, 61.

- The area of the original concession was reduced from 500,000 to 100,000 square miles.
- Iran received a royalty of 4 shillings per barrel produced with an guaranteed minimum annual payment of £750,000.
- APOC was to pay 4 percent tax to Iran with a guaranteed annual minimum of 230,000 pounds.
- APOC agreed to move more Iranians into managerial and technical positions.
- APOC was exempted from all taxes not imposed in the original concession.
- The term of the concession was extended for sixty years (until 1993).
- AIOC lost its monopoly on the transportation of oil.
- APOC paid Iran £1 million as settlement of all past claims.

It is worth noting that Iran and the APOC signed this agreement at a time of worldwide depression, when low world oil prices, depressed demand, and general economic difficulties put strong pressures on the Iranians to settle for less than they could have gained a few years earlier. In 1928–29, APOC chairman Sir John Cadman and Iranian court minister Abdul Hussein Teymurtash had negotiated an arrangement that would have given Iran 25 percent of APOC shares—a revolutionary idea at the time. Although the British government approved that condition despite internal opposition, the Iranian side rejected it in the hope of getting a better deal.³

In any case, by the late 1940s the Iranians believed they were living with an oil agreement that was cheating them out of the benefits of their country's enormous natural resources. Even worse, the sixty-year extension of the agreement and the cumbersome procedures for resolving disputes made it appear that the Iranians had little recourse and were stuck with the terms of a bad bargain, made with AIOC under the most disadvantageous circumstances.

During and after World War II, the Iranians had played their oil card with some skill, particularly in the case of securing Soviet withdrawal from occupied Azerbaijan. In 1948, Venezuela signed a fifty-fifty oil profit-sharing agreement; in Saudi Arabia, ARAMCO was to do the same two years later. In Iran, the perceived injustice of the 1933 agreement remained a festering sore,

3. *Ibid.*, 59–60. Bill's Iranian and British sources both considered the 1928–29 arrangement as a lost opportunity, which, had it been accepted, could have defused much of the subsequent bitterness.

and, in 1948, the Iranian government presented the AIOC with a document covering six major areas of concern:⁴

- increasing the amount of revenue accruing to Iran;
- supplying the British navy and air force with oil at a concessionary price;
- Iran receiving its share of profits from AIOC operations outside Iran;
- Iran gaining access to AIOC records and accounts;
- improving the status of Iranian employees at AIOC; and
- revising the length of the concession.

In response to these and other concerns, in July 1949 the British and Iranian governments signed the Gass-Golshayan Agreement, which became known as the Supplemental [to the 1933] Agreement. Although this new arrangement did raise Iran's royalty from 22 to 33 cents per barrel produced, it did little to address those underlying issues that, in reality, had little to do with oil prices, royalties, or tax rates and much to do with larger, complex, and symbolic issues of Iranians' sovereignty, national pride, and perceptions of personal and national respect. Most basic to the dispute was the Iranians' view, right or wrong, that the British looked down on them as a people. Noting the all-important human and psychological side of the crisis, the historian William Roger Louis writes:

The Iranians knew that the British regarded them as inefficient if not incompetent—even more, that the British thought of them as inferior human beings. This was a psychological reality that bore as much on the actual negotiations as the abstract debate about the validity of the 1933 agreement and the practical amount of compensation to be paid to the company.⁵

Enter Mosaddegh: The Person and the Problem

Experts advise negotiators to separate the people from the problem and to avoid letting emotional issues and misperceptions cloud judgment. As Fisher, Patton, and Ury remind us,

... people get angry, depressed, fearful, hostile, frustrated, and offended. They have egos that are easily threatened. They see the world from their own personal vantage point, and they frequently confuse their

4. *Ibid.*, 61.

5. Louis, "Britain and the Overthrow of Mosaddeq." In Gasiorowski and Byrne, *Mohammad Mosaddeq and the 1953 Coup in Iran*, 149.

perceptions with reality. Routinely, they fail to interpret what you say in the way you intend and do not mean what you understand them to say. Misunderstanding can reinforce prejudice and lead to reactions that produce counter reactions in a vicious circle; rational exploration of possible solutions becomes impossible and a negotiation fails. The purpose of the game becomes scoring points, confirming negative impressions, and apportioning blame at the expense of the substantive interests of both parties.⁶

In 1951–53, however, the British side (and eventually the Americans as well) came to see the person—in this case Iranian Prime Minister Mohammad Mosaddegh as the center of the problem. Thus the disagreement, as Fisher, Patton, and Ury would have foreseen, became unsolvable. The British—even those who saw justice in the Iranian objections to the existing arrangements with AIOC—became obsessed with Mohammad Mosaddegh the person and concluded that he and his personality—not issues of oil royalties, taxes, ownership, accounts, and so on—were at the center of the dispute. The result was exactly as predicted above—a vicious circle of clashing emotions, misunderstandings, and reciprocal misperceptions.

Mosaddegh himself, originally known by his Qajar aristocratic title of Mosaddegh al-Saltaneh came from the same wealthy patrician lineage as his cousin and five-time prime minister Ahmad Qavam. Born in 1882, he earned a law degree in France and Switzerland and served as minister of finance and governor-general of Fars and Azerbaijan provinces near the end of the Qajar period in the early 1920s. He was elected to the Fifth and Sixth Majleses, and, as a deputy in 1925, opposed Reza Khan's accession to the monarchy as Reza Shah.

Excluded from politics during the reign of Reza Shah (1925–41), Mosaddegh, like many other veterans of the pre-1925 political battles, returned to the arena after Reza Shah's abdication in 1941. Reentering the Majles, he sponsored the 1944 oil law, which forbade Iranian officials from discussing oil concessions with foreign governments or companies while foreign troops remained on Iranian soil. That law later was crucial to the outcome of the 1945–47 Azerbaijan crisis. Mosaddegh's legislation both helped to secure the departure of Soviet troops and gave the Iranian parliament a legal basis for rejecting Prime Minister Qavam's April 1946 oil deal with the Soviets.

In October 1949, Mosaddegh led a group of political figures protesting irregularities in the elections for the Sixteenth Majles. This group became the nucleus of the National Front (*Jebheh-ye-Melli*), a coalition of parties and

6. Fisher, Patton, and Ury, *Getting to Yes*, 19.

people centered on Mosaddegh and acknowledging his leadership. Mosaddegh himself avoided becoming the leader of a specific political party, but many key Front members came from Qavam's Democrat Party or from the Iran Party, a party of socialist ideology with a middle-class professional base. Although the former party became unimportant after 1949, the latter became a crucial element of the National Front. In its original demands, the Front did not mention oil or the AIOC but instead concentrated on domestic issues of free parliamentary elections, ending martial law, and freedom of the press.⁷

The National Front contained disparate elements of widely varying economic and social outlook. It included extreme nationalist groups, such as Mohsen Pezeshkpour's Paniranist Party and Dariush Foruhar's National Party; it included the social democrats and technocrats of the Iran Party; it included Mozaffar Baqa'i's Toilers' Party (*Hezb-e Zahmatkeshan*), which advocated an anti-Soviet leftist program; and it included Islamic groups (under the leadership of Ayatollah Kashani), which advocated support for Palestinian causes and for a greater role for religion in public life. Noting how the National Front combined contradictory (modern and traditional) trends in Iranian society—with widely differing values and outlooks—the scholar Ervand Abrahamian writes,

The traditional middle class frequented bazaar teahouses, rarely wore Western ties, and colloquially used Arabic terms learned from the scriptures, whereas the modern middle class ate in European-style restaurants, dressed meticulously in Western clothes, and sprinkled their Persian with French expressions picked up from secular education and avant-garde publications. In short, one was conservative, religious, theocratic, and mercantile; the other was modernistic, secular, technocratic, and socialistic.⁸

Mosaddegh was to unite these dissimilar currents around opposition to the Pahlavi dictatorship, around opposition to the AIOC, and, most important, around his own personality and charisma. In a political culture notorious for corruption and for politicians ready to sell themselves to the highest bidder, Mosaddegh's appeal lay in his outspokenness, his patriotism, his absolute incorruptibility, and his record of long and consistent opposition to Pahlavi authoritarianism. He was particularly famous for his refusal to

7. See Abrahamian, *Iran between Two Revolutions*, 251–61, for an excellent account of the formation of the National Front. The author also provides a table (254–55) showing the background and activities of the founding members.

8. *Ibid.*, 260. It is worth noting that these two groups have remained uneasy allies in Iranian reform movements since the constitutional period of the early twentieth century.

award positions to or otherwise favor members of his extended family. According to his grandson Hedayatollah Matin-Daftari, “When the person with whom he was dealing was a relative, that person was considered last.”⁹

Yielding to National Front pressure, the authorities agreed to restart voting in the Sixteenth Majles elections. In the new balloting, the voters elected eight members from the Front, including Mosaddegh himself, Toilers’ Party chief Baqa’i, and Iran Party leader Allahyar Saleh. Although Mosaddegh’s coalition held only 8 of more than 130 seats in the new parliament, the Front—thanks to its nationalist platform, the broad popularity of Mosaddegh, and British miscalculations and ineptitude—was to wield influence over Iranian political life far beyond what the coalition’s limited numbers in the parliament would justify.

Challenging the AIOC

In June 1950, the government of Prime Minister Ali Mansur submitted the supplemental (Gass-Golshayan) agreement with the AIOC to the new parliament for its ratification. Opposition to the agreement became a rallying cry for the small National Front Majles delegation, and even the proroyalist and pro-British members (who together constituted a substantial majority) were reluctant to risk acting on what was becoming an explosive issue. The National Front, calling the original 1933 agreement illegitimate, demanded nationalization of the oil industry and accused AIOC of ignoring commitments to hire more Iranians, of shortchanging the Iranian government on taxes and royalties, and of interfering in Iranian domestic politics.¹⁰

Mosaddegh had tapped into a deep strain of anti-British resentment in the Iranian middle class. The royalist Prime Minister Ali Mansur (who had been Reza Shah’s last prime minister in 1940–41) sensed the growing anti-AIOC and anti-British sentiment, and refused to push for ratification of the supplemental agreement. Mansur himself resigned on June 26, 1950, and the shah replaced him with the strong-willed and independent-minded General Ali Razmara, who was determined to secure approval for the agreement from the Majles. Razmara apparently supported the supplemental agreement, not on the basis of any principle but because his government desperately needed the oil income that even a flawed, one-sided agreement would produce. He

9. Cited by Bill, *The Eagle and the Lion*, 55.

10. Abrahamian, *Iran between Two Revolutions*, 263.

also believed his survival in office required appeasing the British, whose primary concern was protecting their Iranian oil interests.¹¹

The situation was deteriorating for both parties. On the Iranian side, growing anti-British feeling was preventing the Iranians from reaching any agreement over oil. On the other side, the British appeared oblivious to the new strength of Iranian nationalism and how the Iranians were focusing their hostility on the AIOC, its existing agreements with Iran, and, by extension, on the British as a whole. Many British officials, including some most distinguished Persianists, seemed incapable of empathy, of understanding the Iranian sense of grievance against decades of what they believed was unjust and unequal treatment.

When in late 1949 the Iranian minister of finance asked the British to modify the supplemental agreement before he submitted it to ratification, the British refused. They believed a fair deal had been agreed on, and opposition to it appeared to come from only a small, noisy group of troublemakers in the Majles. A few months later, in February 1950, the British began to wake up to Iranian realities and offered Prime Minister Razmara a cash advance for his government's expenses and informed him they were ready to negotiate an entirely new deal for a fifty-fifty sharing of income. The Iranians might have accepted this British offer a few months before. Now, however, events had gone beyond such arrangements, and Razmara, although still opposing nationalization, knew he could not accept the new offer and survive politically.¹²

Writing of this turbulent period, the political scientist Richard Cottam notes how mythology and wishful thinking had overtaken and obscured reality and good sense among all parties concerned.

Modern Iranian history has more than its share of mythology; and Iran, the Soviet Union, and the Western powers seem to have been in wild competition for top honors in self-delusion. Since interpretations of the Razmara regime reflect this massive confusion, the objective historian of the period has great difficulty sifting the fact from the fiction of the various interpretations. Razmara was called reformist-minded, but the men whose elections to the Sixteenth Majlis were engineered by the Army, of which Razmara was chief-of-staff, were among the most reactionary in the Majlis. Razmara was called pro-West, but he did far more to accommodate Iranian policy to the USSR than did Dr. Mossadegh.¹³

11. Cottam, *Iran and the United States*, 90–91.

12. *Ibid.*, 91.

13. Cottam, *Nationalism in Iran*, 209–10.

In response to Razmara's support for the supplemental agreement, the National Front attacked the prime minister and called for immediate nationalization of the oil industry. In so doing, the pronationalization forces were able to intimidate or convince enough members of parliament to oppose the prime minister's efforts and block ratification. Mosaddegh told a rally in Tehran that Razmara was not demanding enough of Britain and that "the conflict would not be resolved until the entire oil industry was nationalized." Ayatollah Kashani encouraged his followers to support nationalization, and, on March 7, 1951, a member of the Feda'iyān-e-Islam, a group associated with Kashani (but not with the National Front), assassinated Razmara in a Tehran mosque.¹⁴

Within two weeks of Razmara's death, both houses of parliament had approved an oil nationalization law. In April, after a six-week interlude during which the new Prime Minister Hossein Ala, although selected with National Front support, refused to execute the newly enacted law. Ala stepped aside, and with the approval of both the parliament and the shah, Mosaddegh became prime minister with a mandate to implement oil nationalization. In its pessimistic commentary on these events, *The Times*, reflecting the prevailing, condescending British view of Iranian politicians as utterly corrupt and self-serving and of Mosaddegh as obsessed by relentless and irrational Anglophobia, described the situation as follows:

The inner tension of Persian society—caused by the stupidity, greed, and lack of judgment by the ruling class [presumably including the aristocrat Mosaddegh]—has now become such that it can be met only by an acceleration of the drive against the external scapegoat—Britain.¹⁵

Positions Harden; Mediation Fails

Now the British and Iranians were moving into a classic downward spiral in which the objective for each side became not achieving gains through agreement but imposing its will and inflicting maximum damage on the other party. In July 1951, Mosaddegh broke off negotiations with the oil company in response to what he saw as AIOC threats. In September, the company withdrew its technicians and shut down installations, including the refinery at Abadan, and imposed an informal but effective boycott that prevented other companies from buying nationalized Iranian oil. The British

14. Abrahamian, *Iran between Two Revolutions*, 265–66. The author discusses the Feda'iyān-e-Islam on 258–59.

15. *The Times*, April 14, 1951. Cited by Abrahamian, *Iran between Two Revolutions*, 267.

government threatened military action, reinforced its naval presence in the Persian Gulf, and brought complaints against Iran to the United Nations Security Council.¹⁶

Thus by the end of 1951, Iran's dispute with the AIOC had become a full-scale international crisis in which both sides were dug into inflexible (and ultimately self-defeating) positions. The Iranians and the British had descended into what Roger Fisher calls "positional bargaining," in which each side tenaciously holds to a position, raises the emotional temperature, attempts to defeat or humiliate an opponent, and neglects to identify its own or the other side's underlying interests that could form the basis of a mutually beneficial accord. Fisher has noted that these kinds of sterile exchanges usually degenerate into one side's telling the other (in effect), "We may both suffer, but I will win in the end because there will be more flowers at my funeral than at yours."

Rather than dealing with issues and essential interests, Mosaddegh and the British chose to view each other as uncompromisingly hostile and then react accordingly. Each saw the other as an infinitely devious, crafty, and ruthless adversary that was determined at any cost to impose its will and humiliate the other side. In so doing, they both confirmed negative preconceptions and created self-fulfilling prophecies. For Mosaddegh and his National Front allies, the centuries-old British tradition of manipulating Iranian politics and politicians was an insidious, festering evil that they, as Iranian nationalists and patriots, were determined to end. For their part, the British believed that by Mosaddegh's insisting that the 1933 oil agreement—the basis of AIOC operations in Iran for almost twenty years—was illegitimate, he had become almost an existential threat. Not only was he ignoring signed agreements, but he was also, in effect, calling into question every aspect of the British political and commercial presence in Iran. Thus he was, they believed, threatening Britain's position in the entire region.

In July 1951, President Truman—in the face of both British and Iranian opposition—sent the veteran diplomat and troubleshooter Averell Harriman and the oil specialist Walter Levy to Tehran in a fruitless attempt to mediate this dispute between two of America's friends who seemed bent on mutual destruction. When Harriman met Mosaddegh, the former seemed caught off-guard by the depth of the Iranian's resentments and by his anti-British

16. According to Mary Ann Heiss in "The International Boycott of Iranian Oil and the Anti-Mossaddegh Coup of 1953" (in Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 178), "The AIOC's boycott was part of a larger plan to destroy the Iranian government economically. . . ."

tirade (as recounted by interpreter Vernon Walters): “[Mosaddegh] looked at Harriman and said, ‘You do not know how crafty they [the British] are. You do not know how evil they are. You do not know how they sully everything they touch.’” Harriman, perhaps unaware of the Iranian stockpile of historical grievances against the British, seemed to miss or deliberately ignore the prime minister’s point. He replied that the British he knew were, like most people, a mix of good, bad, and in-between. Mosaddegh, who could not have cared less whether individual Britons were good or bad, continued, “You do not know them. You do not know them.”¹⁷

The British, for their part, concluded that resolution of the crisis and preserving Iran’s interests (as London interpreted them) would come only with Mosaddegh’s removal from office. British Ambassador Sir Francis Shepherd, who held a low opinion of Iran and Iranians in general, saw Mosaddegh sitting on the fringe of irrational and lunatic behavior. Driven by stereotypes of decadent Orientals, Shepherd dismissed Iranian nationalism as a sham and seemed to believe that the country’s shortcomings originated in a combination of innate character defects and a lack of sufficient British tutelage (i.e., direct colonization), an inadequacy that had prevented Iranians from developing a respectable (i.e., British-inspired) nationalist movement.¹⁸

Of greater consequence was that Shepherd’s ignorance was the blindness of the British Persianists—knowledgeable scholars and observers who, through long study of Iran’s history, culture, and language thought they understood the country better than its own people did. Although the analyses of this group—and Louis cites the names of Ann (“Nancy”) Lambton, R. F. G. Sarell, Sam Falle, and Robin Zaehner—were more subtle than Shepherd’s crude paternalism, the Persianists were breathtaking in their arrogance, and, in the last analysis, quite wrong. Implicit in their views was the assumption that they—along with a group of pro-British Iranian contacts they considered patriots—knew what was best for Iran and Iranians. These British experts admitted Mosaddegh’s genuine nationalism, recognized the sources of his popular appeal, but also wrote him off as dangerously irrational and pathologically anti-British—characteristics that would, in their view, do damage to both Iranian and British interests. With all their knowledge and skill, these experts convinced themselves that the British government needed to help

17. Walters, *Silent Missions*, 247–48. According to Walters’ account, neither did Mosaddegh trust his own countrymen. When the British government sent a representative to negotiate, Mosaddegh, trusting neither a British nor an Iranian interpreter, insisted that Walters be the interpreter for those meetings as well, 256.

18. Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 135–36.

reasonable, civic-minded Iranians (i.e., patriots) restore sanity and rid Iran of this unstable, troublesome, and demagogic leader.

Foreign Secretary Morrison appointed Zaehner acting counselor at the British Embassy in Tehran with the assignment to work for Mosaddegh's downfall, and the scholar Ann Lambton gave her advice from outside. The historian William Roger Louis summarizes Lambton's views as follows:

Lambton believed that revolution might be averted because certain patriotic and intelligent Iranians held views that coincided with British concepts of national self-interest based on effective and responsible government, professional integrity, and respect for the rule of law. Yet they would be regarded as traitors if they publicly denounced Mosaddegh. Hence there was a need for covert cooperation with those public-spirited Iranians who would work toward reform in concert with the British.¹⁹

Louis also notes how this academic's views of Mosaddegh influenced those Foreign Office officials. In particular, he cites the anti-Mosaddegh opinions of Eric Berthoud, the assistant undersecretary of the foreign office supervising economic affairs.

[Berthoud's opinions] usually reinforced the judgment of Nancy Lambton, who characteristically urged the Foreign Office to boycott Mossaddegh as far as possible and to deal with him only when necessary to preserve public order ... She still held, as she had from the time of Mosaddegh's ascendancy, that it was impossible to negotiate with him because his entire position was based on anti-British sentiment.²⁰

Such attitudes die hard. A participant at a 2002 UK conference on the Mosaddegh period said he found some of the elderly British participants had not changed their patronizing views of Iranians. Their views, he noted, had remained unchanged since 1951. They knew what was best for Iranians at that time; and fifty years later, they still did.²¹

Collision Course: From Rigidity to More Rigidity

All sides became victims of competing and contradictory pressures. Some Iranian opponents of Mosaddegh urged their British Embassy contacts not to make any settlement with him because doing so would increase his domes-

19. *Ibid.*, 131.

20. *Ibid.*, *Mosaddeq and the 1953 Coup*, 137.

21. Malcolm Byrne, personal interview, Washington, D.C., February 25, 2008.

tic popularity and strengthen his political position.²² Mosaddegh himself was torn between his desire to claim a victory over Britain and his fear that members of his own coalition would denounce any agreement he reached as a betrayal. For its part, Washington urged restraint on both sides but was unable to find a settlement and unwilling to apply serious pressure on Britain to be more flexible in the face of Iranian nationalism. If the United States had applied such pressure, it is unclear how long London could have resisted.

In the end, however, it became irrelevant who was at fault in these futile exchanges. The rigidity of one side reinforced that of the other, and it became impossible for either side to retreat from its most extreme demands. Mosaddegh must have been well aware that the British regarded him as an irrational, xenophobic, and mendacious representative of a degenerate Iranian aristocracy. Beyond all that, he and many of his countrymen also understood how the British had long regarded Iran and most Iranians with contempt. Those patronizing attitudes (or Mosaddegh's perception of them) strengthened his certainty that Iran's salvation lay less in the details of a new oil agreement than in freeing itself politically and psychologically from British domination, specifically in breaking the economic and political power of the AIOC and in undoing its immoral and illegitimate agreements with previous Iranian governments. Therefore, there could be no settlement until Britain recognized, implicitly or explicitly, that the existing arrangements ignored the just claims of Iran.

On the British side, what they thought they saw in the Iranian nationalists made them more inflexible. The Iranian prime minister's vitriolic anti-British rhetoric, his refusal to accept what they considered a reasonable compromise settlement with AIOC, his refusal to negotiate in good faith, and, perhaps above all, his ingratitude for Britain's positive historical role in Iran, all made stronger their determination to insist on their maximalist demands. Furthermore, Mosaddegh's ("mad Mossy's") attitude convinced them that this xenophobic Iranian leader's remaining in power not only prevented a settlement, but constituted a danger to Britain's vital interests in Iran and the entire region. Such an obvious and irrational ingrate had to go. As James Bill writes:

The British felt their influence in Iran was benign and that without English technological support Iran would have remained a backward desert land. Their many interventions in the past had served to protect Iran from its aggressive Russian neighbor to the north. Therefore, even some of the

22. Katouzian, "Mosaddegh's Government in Iranian History," in Gasiorowski and Bryne, *Mosaddeq and the 1953 Coup*, 6.

most learned of the “old Persian hands” in Britain professed horror at the ingratitude displayed by Mosaddegh and the Iranian nationalists.²³

Prime Minister Clement Attlee’s socialist government, which had nationalized much of British heavy industry, could not well oppose the Iranian oil nationalization on principle. Neither Attlee’s foreign secretary, Herbert Morrison, nor AIOC chairman Sir William Fraser, however, were able to understand the new realities in Iran or the underlying Iranian resentments against what many saw as centuries of spiteful, overbearing British behavior. Nor could these officials look beyond the law book or the balance sheet to understand how their attitudes were fueling anti-British feelings among Iranians. Bill describes Fraser as having “the background of an accountant and the mindset of a ledger.”²⁴ They simply could not accept the fact that Iranians could hold, based on more than a century of history, legitimate grievances against the British or that the AIOC might need to bend in the face of Iranian nationalism.

Britain would not back down from its insistence that Iran accept one of two principles: either retreat from nationalization and negotiate a new concession, or compensate AIOC for oil the company would have extracted until 1990, only three years short of the original expiration of the 1933 agreement. As for the first principle, once nationalization was approved, it became impossible for the Iranians—of any political stripe—to return to a concession agreement, no matter how favorable. In fact, the British envoy Richard Stokes, in the summer of 1951, offered (and Mosaddegh rejected) terms of a new concession that were more favorable than the consortium agreement the Iranians were eventually to sign in 1954. As for the second (compensation) principle, although the Iranians were willing to pay compensation for AIOC assets, they would never accept the terms of the detested 1933 agreement as its basis.²⁵

Against this unpromising backdrop of mutual suspicion and hostility, Mosaddegh came to the United Nations in the fall of 1951 to argue Iran’s case. He also met with American officials, including President Truman and Secretary of State Acheson. Neither he nor the British, however, were in any mood to propose a settlement that the other side would accept. Working with

23. Bill, *The Eagle and the Lion*, 64.

24. *Ibid.*, 74. Citing U.S. Assistant Secretary of State George McGee, Bill also reports, Fraser’s assertion that “one penny more and the company [AIOC] goes broke,” 72.

25. Katouzian, “Mosaddeq’s Government in Iranian History,” in Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 7–9.

Assistant Secretary of State George McGee, Mosaddegh drew up a proposal to the British that specified

- forming a national Iranian oil company responsible for exploration, production, and transportation of crude oil;
- selling the Abadan refinery to a non-British firm that would recruit its own technicians;
- AIOC's establishing a purchasing organization to buy, ship, and market Iranian oil;
- establishing a fifteen-year life of the contract and setting a minimum annual production of 30 million tons; and
- setting the price of crude by Iranian-British negotiation, with a maximum of \$1.10 per barrel.²⁶

By this time (November 1951), the British had changed governments, and the now-ruling Conservatives, fearing the loss of British influence implicit in the above terms, rejected the McGee proposal. A proposal for World Bank mediation by restoring production and export of Iranian oil collapsed when the Iranian side, fearing its domestic opponents would accuse it of selling out to the West, insisted the Bank should state in such an arrangement that it was acting as an agent of the government of Iran. The British side would never agree to such a condition, which would require it to recognize implicitly the legality of the nationalization before there was a compensation agreement. In New York, Harriman sent Vernon Walters to visit Mosaddegh in the Premier's Hotel for a last-ditch effort to persuade Mosaddegh to agree to a settlement. Walters told Mosaddegh that, despite all the hopes raised by his visit, he would be returning to Iran empty-handed. Walters records Mosaddegh's response as follows:

He looked at me shrewdly and said, "Don't you realize that, returning to Iran empty-handed, I return in a much stronger position than if I returned with an agreement which I would have sell to my fanatics." I was satisfied that he simply did not want to reach an agreement at that time.²⁷

26. Gasiorowski and Bryne, *Mosaddeq and the 1953 Coup*, 77. According to Stephen Kinzer (*All the Shah's Men*, 129–30), the proposal came from McGee and Acheson, and both Mosaddegh and the British rejected it—the former because it kept operations and management in foreign hands; the latter because it seemed to legalize expropriation of British property.

27. Walters, *Silent Missions*, 262.

Endgame: A Desperate (and Losing) Bet

There are multiple questions around Mosaddegh's negotiating stance. Did he believe that his interest and his political survival lay in prolonging the crisis and avoiding a settlement? Did he believe that his National Front coalition would fracture if he agreed to a settlement that was anything less than a complete British surrender? Did he believe the British, desperate for Iranian oil, would eventually give in to Iranian demands? Did he misread the American government's position and believe that the United States would back Iran indefinitely (or at least remain neutral) and would eventually pressure Britain into accepting Iranian terms?

Did Mosaddegh in effect commit political suicide by refusing to settle? The scholar Mark Gasiorowski believes that "[Mosaddegh's] foolish actions in 1951 caught up with him in 1953."²⁸ In reality, the prime minister's calculations may have been more perceptive than they appear. Whatever his motivations for not settling the dispute, the failure of American mediation and the stalemate of 1951 did not, in the short term, bring about his government's collapse. His domestic position remained strong, and the British, despite their oil boycott and threatening moves, did not resort to military action against what they considered the illegal seizure of a British company's property. After his empty-handed return from the United States, he continued in power for nearly two more years. During that time he survived in office despite an intensified British (and later American) campaign against him, defections from within his National Front coalition, an abortive attempt to replace him as prime minister (by his cousin, the veteran Ahmad Qavam) in July 1952, and growing economic dissatisfaction from the country's loss of oil revenue.

In March 1953, Mosaddegh rejected a proposal by American Ambassador Loy Henderson—a proposal that still called for compensation until 1990. In response, Mosaddegh did retreat from his previous call to base compensation on the market value of AIOC property and agreed to World Court arbitration if the British would declare its maximum compensation demand in advance. The two sides remained far apart, and the British rejected this proposal.²⁹

28. Private communication, February 2008.

29. Katouzian, in Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 9. It is worth noting in that same month President Eisenhower gave his blessing to America's joining the British project to overthrow Mosaddegh (Kinzer, *All the Shah's Men*, 157–58).

By the time of the infamous coup of August 1953, by all calculations Mosaddegh should have fallen easily, given the economic and political problems he confronted. His oil cards were a pair of deuces—the world oil markets had found other (mostly Arab) sources to replace the missing Iranian oil. Mosaddegh himself had been playing a dangerous and ultimately losing game with the Americans who, having failed to mediate a settlement, told the British in March 1953 that the CIA was ready to discuss a joint operation to overthrow Mosaddegh and the National Front. In early April the CIA allotted a million dollars for its Tehran station to use in any way that the station chief and the ambassador agreed to bring about the fall of Mosaddegh's government.³⁰

Mosaddegh, unable to exploit American interest in Iranian oil to break the power of the AIOC, must have perceived Washington's growing hostility. He made a bad situation worse, however, when, in a desperate bet, he posited an implicit threat of a Communist takeover of Iran in a May 28, 1953, letter to President Eisenhower. The latter's coldly worded response, broadcast on the Voice of America, seemed clear evidence of what many suspected: that the Americans had already come around to London's position that Mosaddegh was dangerously unstable and had joined the British in working for his downfall. After Eisenhower's letter was published, Richard Cottam describes Mosaddegh's situation as follows:

All Iran knew that Mosaddegh gambled and lost in his attempt to force the United States into active support. Here was the cue for the fence sitters to leap as far from Mosaddegh as possible ... Still he persisted with the gamble he had already lost.³¹

The Americans were now privately working for Mosaddegh's overthrow and publicly announced they had lost confidence in him. The shah and his allies, for their part, were concerned by the prime minister's efforts to limit royal prerogatives and suspected he was working for the complete abolition of the monarchy. Mosaddegh also faced defections of some crucial National Front allies—including Ayatollah Kashani, Toilers' Party leader Baqa'i, and nationalist Hossein Makki. The British Embassy claimed that their agents, the Rashidian brothers, were responsible for these key defections.³² Beset on

30. Wilber, "Overthrow of Premier Mosaddegh," 3. According to one veteran U.S. foreign service officer, the State Department's political officers in Tehran were reporting vicious, personal attacks on Mosaddegh in the Iranian press without realizing that their colleagues in the CIA station had planted those very stories.

31. Cottam, *Nationalism in Iran*, 224–25.

32. Kinzer, *All the Shah's Men*, 159.

multiple fronts and with his National Front coalition weakening, Mosaddegh grew more suspicious and autocratic. His support in the streets seemed to come increasingly from pro-Tudeh demonstrators, a development that further increased alarm in Washington. The continuing oil boycott was crippling the Iranian economy, and the government was unable to pay its bills or meet its payrolls.

On May 20, 1953, the American administration specifically authorized the Tehran station, in addition to the general authorization noted above, to spend up to a million Iranian riyals a week (about \$11,000) to buy the cooperation of members of the Seventeenth Majles.³³ As these efforts continued through the summer of 1953, Mosaddegh found himself facing increasing problems from the legislature. The prime minister became embroiled in a dispute with the Senate and opposition delegates in the Majles over his reform proposals and extension of emergency powers that had allowed him to rule by decree for six months. In response to this resistance, the National Front deputies resigned en masse and thereby deprived the lower house of a quorum and its power to legislate. In July 1953, in the absence of a functioning Majles, Mosaddegh called for a national referendum to ratify his various reform measures. The results of the voting were a suspicious 99.99 percent favorable. Faced with many enemies determined to overthrow him, Mosaddegh was no longer the moderate who insisted on upholding the law and the constitution. Abrahamian describes the new, radical, and populist Mosaddegh as follows:

Mosaddegh, the constitutional lawyer who had meticulously quoted the fundamental laws against the shah, was now bypassing the same laws and resorting to the theory of the general will. The liberal aristocrat who had in the past appealed predominantly to the middle class was mobilizing the lower classes. The moderate reformer who had proposed to disenfranchise illiterates was seeking the acclaim of the national masses.³⁴

Failure and Success

When his opponents struck in August 1953, however, Mosaddegh, despite all that both his foreign and domestic enemies had done to undermine him, was not an easy victim. The first actions of the coup plotters—a coalition of army officers, pro-British politicians, royalists, and American CIA operatives—went badly awry. Colonel Ne'matullah Nasiri, who was supposed to deliver the shah's decree dismissing Mosaddegh and replacing him with General

33. Wilber, "Overthrow of Premier Mosaddegh," 18–19.

34. Abrahamian, *Iran between Two Revolutions*, 274.

Fazlollah Zahedi (and arrest the former) on the evening of August 14, did not act until the following evening, by which time Mosaddegh's government had learned about the coup and acted to stop it. Instead of arresting Mosaddegh, Colonel Nasiri found himself under arrest when he attempted to deliver the shah's decree.³⁵

On the morning of August 16, it appeared that the coup attempt had collapsed. Pro-Mosaddegh forces patrolled the streets of the capital and began arresting those suspected of involvement in the attempt. Zahedi went into hiding at the house of a CIA officer. Zahedi's son and other plotters took refuge at the American Embassy. The shah himself, fearing for his life, fled the country without telling either Zahedi or the CIA team, travelling first to Baghdad and then to Rome. National Front Foreign Minister Hossein Fatemi and other Mosaddegh supporters called for the shah to abdicate. The next day, Kermit (Kim) Roosevelt, head of the CIA's coup team in Tehran, received instructions from CIA headquarters to leave Iran as soon as possible. He began to make plans for his own departure and for that of Zahedi and some other participants in an American defense attaché aircraft.

Despite these initial setbacks, the foreign and Iranian coup makers did not give up. By August 19, they had organized anti-Mosaddegh elements in the army and among Tehran street mobs. It is also believed that provocateurs had encouraged pro-Tudeh mobs to tear down statues of the shah and demand an end to the monarchy. The CIA reportedly channeled money to Ayatollahs Kashani and Behbehani and publicized the shah's original decree dismissing Mosaddegh and appointing Zahedi in his place. The notorious gang leader Sha'ban Ja'fari ("Sha'ban the brainless") also organized anti-Mosaddegh demonstrations among the mobs of south Tehran. Pro-Mosaddegh and pro-Tudeh demonstrators were nowhere to be seen that day, and by late afternoon, anti-Mosaddegh army units had defeated those units that remained loyal and had continued guarding the prime minister's home. By the end of the day, Zahedi had broadcast a message on state radio, and Tehran was firmly in anti-Mosaddegh hands. The shah returned to Tehran on August 22.³⁶

35. This account follows that of Mark Gasiorowski, "Coup d'Etat Against Mosaddegh," in Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 227–60.

36. There are differing versions of exactly what happened and what led to the turn-around between August 16 and 19. I have followed Gasiorowski's account, Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 251–56, appropriately subtitled "From Failure to Success."

The Person Is Gone: The Problem Remains

The British, the Americans, and their Iranian friends had now removed the person they saw as the cause of their difficulties. Just overthrowing Mosaddegh, however, still did not resolve the dispute over control of Iran's oil resources. That resolution would come only after very tough two-stage negotiations: first between American oil companies and the AIOC (now renamed British Petroleum [BP]); then between the combined foreign interests (called the consortium) and the Iranians. An Iranian source described the former set of talks as "a tug of war between the avarice of William Fraser [chairman of BP/AIOC] and the acquisitiveness of the major [non-British] oil companies."³⁷ By forming a consortium—an idea that Walter Levy had presented in the summer of 1951—the companies could, in effect, address (or appear to address) a major Iranian grievance—the AIOC's monopoly control of Iranian oil and that company's identification as an instrument of British policy in (and domination of) Iran.

When the American expert and later Undersecretary of State Herbert Hoover Jr. first approached the Iranians in the fall of 1954, he urged that BP retain a majority share of the consortium. The Iranian negotiators—including Manuchehr Farmanfarmaian and Dr. Hosein Pirnia—rejected this proposal. Given the history of AIOC in Iran, they argued, the Majles would never approve such an arrangement.³⁸ Eventually, the original consortium included the following members: British Petroleum (40 percent); five American major companies (8 percent each totaling 40 percent); Royal Dutch Shell (14 percent); and Compagnie Française des Pétroles (6 percent). Later, independent American companies protested, each of the five majors gave up 1 percent of its shares to a group of independents collectively known as Iricon.

Representatives of the international consortium and Iranian negotiators—this time led by Finance Minister Ali Amini (another Qajar aristocrat who would become prime minister in 1961)—met in Tehran in April 1954 and reached an agreement in August. The negotiations centered on three principles: (1) With or without Mosaddegh, the nationalization of Iranian oil could not be reversed. Nationalization was a *fait accompli* of enormous symbolic importance. (2) AIOC-BP's monopoly control of the Iranian oil industry could not continue. As noted above, diluting that company's preeminent position was also of great symbolic importance for the Iranian side. (3) The Iranians

37. From Fathollah Naficy, cited by Bill, *The Eagle and the Lion*, 105.

38. Farmanfarmaian and Farmanfarmaian, *Blood and Oil*, 302.

should pay some form of compensation to the British company for its facilities and its lost revenue.³⁹

As for the settlement itself, it was a mixed outcome for Iran. Its main features, as outlined by James Bill, were as follows:

- The basic ownership rights of the National Iranian Oil Company (NIOC), originally claimed after the original nationalization in 1951, were recognized.
- The NIOC was put in charge of the distribution of all petroleum products—gasoline, kerosene, and so on—in Iran’s domestic market.
- NIOC took over operations at the small western Naft-e-Shah oil field and the nearby Kermanshah refinery.
- The consortium operating companies managed operations within the rest of the agreement area—basically the area of original APOC-AIOC concession.
- Foreign trading companies bought from NIOC all oil produced except what Iran used for domestic consumption.
- Complex royalty and tax arrangements brought the Iranian government, in effect, 50 percent of the profit on oil sold abroad.
- Iran would pay AIOC-BP about \$70 million compensation over ten years, and the other participating foreign companies would also reimburse AIOC-BP for their shares of former AIOC holdings.⁴⁰

Judging the 1954 Agreement

Given the events that preceded the agreement, it is doubtful that Iranian nationalist opinion would have supported any deal signed by the government installed by the August 1953 coup. The consortium agreement, however, did provide some important benefits to Iran. It ended the British boycott, brought increased government revenue, and preserved the important principle of Iran’s nationalization and control (albeit incomplete) of the country’s resources. The importance of the last became apparent in the years

39. Bill, *The Eagle and the Lion*, 105–06.

40. *Ibid.*, 108. According to Farmanfarmaian and Farmanfarmaian (*Blood and Oil*, 306–07), BP made out very well on the compensation deal, receiving more than \$600 million from the other partners in the consortium for their 60-percent interest.

after 1954, when the NIOC was able to negotiate agreements for areas outside the consortium's limits with terms more favorable for Iran.

On the negative side, although appearing to break the AIOC's monopoly, the agreement left a group of foreign oil companies in control of a large part of the Iranian oil industry. Many Iranians believed that NIOC's ownership of Iran's oil resources was purely symbolic, and the real power over these resources remained in foreign, if not entirely British, hands. As one Iranian expert noted, the agreement gave "NIOC the impression it was somehow involved, even though it really wasn't."⁴¹ Although the hated label "concession" was gone, the new consortium, for all intents and purposes, still operated like a traditional concession even though the resources the consortium extracted, transported, and sold officially belonged to the NIOC. This feature did not escape the notice of Iranians. As James Bill observes,

From the Shah on down, the Iranians were not pleased with this agreement. Even Ali Amini often admitted that the consortium agreement was not what Iran deserved or needed, since the control still existed in the hands of foreigners. On the other hand, it was the best agreement Iran could have gotten given the time and circumstances.⁴²

In the longer term, creation of the NIOC had some very positive consequences for Iran. The company hired and trained Iranians in management and technical positions, a subject that had been a festering Iranian grievance against the AIOC. Within a few decades, manpower in the oil sector was almost entirely Iranian, operating with a high level of expertise and competence. Beginning in the late 1950s, NIOC also provided scholarships—by competitive examination—for young Iranians to study technical subjects abroad (mostly in the United States). These students were to become a highly trained cadre who contributed to Iran's development in the 1970s. The economist Feridoun Fesharaki writes of NIOC:

Perhaps the most significant consequence of the nationalization was the creation of the NIOC. The NIOC was the first national oil company in a major oil-producing country. Its immediate task of taking over the domestic distribution of the oil products in Iran ... contributed greatly to the material well-being of the country and its economic development by providing cheap energy and expanding its distribution network. As a young company, it observed the operations of the Consortium and gradually obtained a great deal of experience and knowledge.⁴³

41. Farmanfarmaian and Farmanfarmaian, *Blood and Oil*, 313.

42. Bill, *The Eagle and the Lion*, 109.

43. Fesharaki, "Development of the Iranian Oil Industry," 59–60. Cited by Bill, *The Eagle and the Lion*, 110.

The Lessons: Dealing with History and Preconceptions

In the last analysis, however, almost everyone lost in this sorry history of the oil nationalization crisis and the August 1953 coup. Whatever the objective merits of the subsequent agreement, Iranians would always see the 1954 oil agreement as tainted by its association with foreign intervention in Iranian politics and by the view that the great powers were determined, by means fair or foul, to prevent Iranians from taking control of their own resources and their own destiny. Many Iranians concluded that powerful outsiders and their self-interested Iranian allies had frustrated yet another Iranian effort to assert national dignity, limit absolutism, and put the country on the road to democracy.

The effects of the events on American-Iranian relations were profound and tragic, as the United States had, in Iranian eyes, betrayed their country's hopes. For their part, Britain and Russia had never pretended to be anything but the semicolonial masters of Iran. The United States, however, had pretended otherwise and had then revealed a treacherous face when it went from being a supporter of the country's independence to a new master (albeit an inept one), dictating to Iranians according to Washington's (and some would say London's) requirements and demands.

In the years after the CIA coup, American officials seemed blind to the implications of their actions. They seemed unaware how the United States had discredited both itself and those Iranians—from the shah on down—with whom it associated. Now everything the shah did, for good or evil, was interpreted as done in obedience to American commands. Even when the shah apparently opposed an American position, a cynical public opinion dismissed his actions as a charade. Subsequent American administrations seemed oblivious to how Iranians viewed these events and to the resulting resentments that simmered below a surface of smiles and politeness. When, for example, the Americans pressed the Iranian government for what the former called a technical modification of the existing Status of Forces Agreement in 1963–64, the issue exploded into a major domestic crisis that Ayatollah Khomeini, until then a marginal figure in Iranian political life, skillfully exploited to establish credibility among the nationalist heirs to Mosaddegh's tradition. Addressing this issue in a speech of October 22, 1964, Khomeini said,

A law has been put before the Parliament according to which we are to accede to the Vienna Convention, and a provision has been added to it that all American military advisers, together with their families,

technical and administrative officials, and servants—in short anyone in any way connected to them—are to enjoy legal immunity with respect to any crime they may commit in Iran.

If some American servant, some American's cook, assassinates your senior clergyman in the middle of the bazaar, or runs over him, the Iranian police do not have right to apprehend him! The dossier must be sent to America, so that our masters there can decide what is to be done.

[The Iranian government has] reduced the Iranian people to a level lower than that of an American dog. If someone runs over a dog belonging to an American, he will be prosecuted. Even if the Shah himself were to run over a dog belonging to an American, he would be prosecuted. But if an American cook runs over the Shah, the head of state, no one will have the right to interfere with him.⁴⁴

Provoked by this explicit defiance, the shah sent Khomeini into exile eight days later. Inspired by this cleric's outspoken defense of Iranian honor and sovereignty, many Iranian nationalists—for whom the events of August 1953 were still fresh—were willing to ignore the antidemocratic and obscurantist strains in their new hero's rhetoric. For that oversight they would later pay a very high price when the Islamic Revolution—soon after its victory—turned against them and their values.

However all sides deal with this bitter legacy of 1953, there are important lessons for negotiators in these events.

Inequalities between the two sides created contradictory perceptions. What one side saw as a negotiation, the weaker (Iranian) side saw as an attempt to dictate conditions. In this case any agreement or compromise for the Iranians became surrender. During the oil nationalization crisis, the Iranians were well aware that they could not deal on equal terms with the AIOC and the British government. Nor did the British see the Iranians—whom they had dominated for centuries—as equals who could expect a major change in traditional arrangements. Noting how the British insisted the Iranians accept at least one of two unacceptable conditions—granting a new concession or paying compensation until 1990—Homa Katouzian writes,

Neither of the two alternative British demands—another concession or compensation for operations until 1990—would have been made, let alone succeeded, if Britain's dispute had been with Holland, Sweden, or any other small European country. It was clear that Iran's position was weak, not on legal grounds, but in terms of the country's relative world power.⁴⁵

44. For the full text of Khomeini's speech, see Khomeini, *Islam and Revolution*, 181–88.

45. Katouzian, in Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 10.

The British also seemed genuinely confused when the Iranians refused to behave as a weaker side should and insisted on remaining ungrateful for past British beneficence. The British, including even some distinguished scholars of Iran who should have known better, could only explain the Iranians' attitude as a defect in their national character, as further evidence that Mosaddegh and his colleagues needed to be replaced by responsible Iranians, and as yet another manifestation of oriental mendacity.

History matters. In this case negotiators ignored it with disastrous results. The Iranian side approached this dispute not only as an effort to obtain better terms from AIOC but as an attempt to address grievances and correct the historical wrongs stemming from centuries of British domination. The British, in Iranians' view, had long meddled in Iran's domestic affairs and had cheated and exploited Iran both in the original 1901 D'Arcy oil concession and, later, in the oil agreement of 1933. When Mosaddegh made his famous characterization of the British to Harriman ("you don't know them"), he was not criticizing individual Britons but giving his view of Britain's negative place in Iran's unfortunate past. In that sense, Mosaddegh and his allies were seeking not only to negotiate a better oil deal but to realign the whole Iranian-British relationship and thereby correct the injustices of Iranian history. Such an attitude appeared to lead Mosaddegh into insisting on a settlement that was absolutely fair (in his view) instead of one that reconciled the interests of the two sides.

For the British—and to some extent for the Americans—there seemed to be almost no empathy for how Iranians' saw their own history and for how they saw the British role in that history. The British, and eventually the Americans, came to write off Mosaddegh as dangerous, as a captive of his own anti-British rhetoric, and as obsessed with the British to the point of irrationality. In that sense, Harriman's reaction to Mosaddegh's blanket condemnation reveals a larger failure: the failure to understand how the Iranians' view of their past was shaping their actions and pushing them into unreasonable positions.

The Iranian side sought an abstraction called justice. The parties were unable to find objective criteria as a basis for negotiations. The two sides in this dispute were working from completely different starting points, and, for that reason, could not establish the all-important objective criteria, acceptable to both sides and free of emotional overtones, against which to measure a settlement. Neither side could accept the standards of the other. The British side emphasized compensation for lost revenue and carrying out existing agreements. The Iranian side's criteria were achieving justice by correct-

ing historical wrongs. In such a setting, it should have been expected that American mediation would fail. The two sides' positions were too far apart and based on different assumptions.

The British side, and eventually the American mediators, came to see the Iranian insistence on justice as too subjective and too absolute to be a basis for a settlement. After all, what did justice mean? It was too imprecise a term for Western lawyers and accountants. The British came to see it as a cover for unreasonable Iranian demands and for Mosaddegh's desire to use Britain as a scapegoat for Iran's troubles. In the accounts of the crisis, there are few indications that the British side attempted to get behind this language and deal with the Iranians' sense of grievance. Nor did the Iranian side realize that by insisting on justice as a goal it was putting a negotiated settlement beyond reach. Finally, there is little evidence that either side made an effort to move beyond its initial positions—which became more inflexible over time—and work with the other to establish those objective standards essential for a successful negotiation.

The parties ignored Roger Fisher's principle. They could not separate the person from the problem. Both sides in this dispute came to personalize the issues between them to an extent that reaching agreement became impossible. Each side saw the other as the embodiment of evil and duplicity. For the British, Mosaddegh himself was the problem. How, they asked, could one deal with him when he refused to see reason, rejected any compromise settlement, ignored signed contracts, reneged on yesterday's agreements, used Britain as the scapegoat for his own failures, and played to the extremists in his National Front coalition? In a strange symmetry, Mosaddegh, expressing the sentiments of many of his countrymen, saw the British in a similar way. How, he asked, could one reach an agreement with those who would not negotiate in good faith, refused to acknowledge the simple justice of Iran's position, insisted on maintaining their stranglehold on Iran's wealth, bought and sold Iranian politicians, and used all means fair or foul to dominate Iran as it would its colonized territories?

Holding such views, both sides became trapped in a vicious circle of misperceptions, emotions, and distortions. Strong feelings of mutual dislike and distrust blinded both Britons and Iranians to their own interests. Both sides missed opportunities for settlement because their goal became not securing their interests but humiliating the other side, whom they had demonized beyond all recognition or rationality. In fact, humiliating the other side and

forcing it to submit to unacceptable conditions—not negotiating a beneficial agreement—became the goal of the whole encounter.

In this contest in which all sides were eventually losers, the increasing distrust and negativity became a self-fulfilling prophecy. Each side understood well how the other saw it. The Iranians were smart enough to know that many British officials viewed them with contempt, as corrupt, uneducated, emotional savages, for whom reason, truth, rationality, and law were alien concepts. Similarly the British certainly perceived how Mosaddegh and the nationalists were painting them as infinitely evil, duplicitous, patronizing, domineering, greedy, and the source of all of Iran's problems. These views would feed on each other. Understanding the other side's perception (or misperception), each side would harden its position and rationalize its self-destructive actions by saying: "You see what they are like? You see how they hold such a distorted view of us? They are evil, and we are obviously right not to trust them."

Turning Over the Board

Little good could emerge from such an impasse brought on by the parties' shared blindness. The crisis of 1951–53 was not only a failure of negotiations; the events contained many tragic subplots, large and small. One tragedy was that the British side felt it had the option and the right to go outside the process of negotiation to overthrow an Iranian government it regarded as intransigent and on which it could not impose an agreement. Fisher might say that because the British negotiators' BATNA included eliminating Mosaddegh and the National Front, they could insist on conditions they knew the Iranians would never accept. Rather than play the game by the rules, the British would turn over the board. An even greater tragedy was that the British convinced their American allies—who early in the crisis seemed to understand Iranian nationalism and to be making a good-faith effort to resolve a dispute between two of Washington's friends—to join London's efforts against the Iranian nationalists.

The result was that after the 1953 CIA coup, the American government and the shah—for better or for worse—were stuck with each other. After 1953 many Iranians, particularly those who had supported Mosaddegh's nationalist coalition, came to see the United States as their enemy responsible for all the shah's excesses and all they disliked about his regime. Analy-

zing the anti-American currents in 1970s Iran and the anti-American fury that boiled over during and after the Islamic Revolution, the scholar Homa Katouzian writes:

What mattered most was the very strong emotional conviction—for which the starkest and the most deprecated evidence was the 1953 coup—that western imperialism was behind every decision of the modern arbitrary state [i.e., the Pahlavi monarchy]

The reality of the deep anger against the United States in particular can hardly be underrated. And there were many reasons for it. But the central reason was that it was known as the power that overthrew Mosaddegh's government in 1953, and it was wrongly perceived to be the real power behind, and the daily instructor of the absolute and arbitrary state.⁴⁶

Overthrowing Mosaddegh may have helped solve the oil nationalization crisis and rid America and her British friends of an Iranian annoyance. But so doing also would poison relations for decades to come between Iranians and Americans—now no longer identified as Iran's beneficiaries but as the new colonizers and powerful supporters of the shah's arbitrary rule.

46. Gasiorowski and Byrne, *Mosaddeq and the 1953 Coup*, 23–24.