

Oil, Blood, and Politics: Our Next Move in Iran

HARLAN CLEVELAND

IN THE SPRING of 1951, a gaunt, beak-nosed figure stood before Iran's parliament and told about a dream he had had the night before. He said a ghostly form had appeared to him and cried, "Rise up, Mossadegh, and break the chains of the Iranian people!" The apparition had meant that the Anglo-Iranian Oil Company, which turned out 640,000 barrels of oil a day—seven per cent of the world's production outside the Soviet orbit, and nearly as much as Russia and its satellites produced—should be nationalized.

The speaker, Dr. Mohammed Mossadegh, got his wish. The oil wells and the Abadan refinery were taken over by the state. Mossadegh himself became Prime Minister. Iran's massive exports of oil dried to a tiny trickle.

THIRTY MONTHS later, we look back across a phantasmagoria of fruitless arguments and hearings and proposals, of mimeographed press releases and garbled leaks, of comings and goings to Teheran and The Hague and London and Washington and back to Teheran. The interests

of all concerned in settling the dispute are now more compelling than ever.

With Turkey and Pakistan building effective armies on a firmly anti-Communist political base, Iran remains the leakiest part of what our National Security Council calls the strategic "roof" over the Middle East. If this roof is not secure, fifty-three per cent of the oil reserves available to the West are in jeopardy. Without the roof, we can't build a defensive coalition out of a collection of weak Arab states, an unpre-

November 10, 1953

11

IRAN'S OIL EXPORTS

A Brief History

1949-1951 54,000,000 tons

1951-1953 62,090 tons

dictable Egypt, and an Israel that isn't on speaking terms with anybody else in the region. Iran's 1,200 miles of common frontier with the Soviet Union is the central military fact in the Middle East.

The trouble is that a country's national interests are whatever its current leaders want them to be. For Iran, the overriding interest has been absolute sovereignty, pushed to the brink of suicide. For Britain, the dominant theme has been the rule of law, meaning compensation for seized British property. Two years of verbal warfare failed to find common ground between these two intransigent positions.

Now, with General Fazlollah Zahedi at the helm in Iran, there is another chance. Zahedi says he wants to settle Iran's dispute with the British and get the oil flowing again. Everybody else wants a settlement too—in a certain way and to a certain extent. But first there must be reconciled the interacting desires of many divergent parties, including such imposing autocrats as Ibn Saud of Arabia and John L. Lewis of the United Mine Workers, and such strong-minded men as Winston Churchill, John Taber, Herbert Brownell, and the managers of the world's seven biggest oil companies.

The task of reconciling these interests rests unmistakably in the lap of the United States, for our economic and military strength makes us the roving center, plugging holes in the front line of the non-Communist world wherever it is weakest.

From D'Arcy to Mossy

It took Persia only half a century to progress from the first foreign oil concession to a nationalized shut-down. An Englishman named William Knox D'Arcy got a concession in 1901, the Anglo-Persian Oil Company was formed in 1909, and five years later the British government bought a controlling majority of the

stock—not because socialism was creeping particularly fast in 1914 but because the Royal Navy decided that year to convert its ships from coal to fuel oil.

When the 1929 depression caught up with oil profits, the Mossadeghs of that era (the Doctor himself was incarcerated in a prison near the Afghanistan frontier) canceled the D'Arcy concession. Britain appealed to the League of Nations, and in 1933 a new concession agreement was signed, good for sixty years, with greatly increased royalties. These payments held up well even while the company was in difficulties during the Second World War, but by 1948 the government (which had revived the ancient name of Iran) became restive about getting only about fifteen per cent of the Anglo-Iranian Oil Company's net profits. Having heard that Venezuela shared 50-50 in the oil profits of its concessionaire, the Iranians began talking about a 50-50 profit split with Anglo-Iranian.

In 1949, a fifteen-hundred-word "Supplemental Agreement" was signed, raising Iran's ante to something like thirty per cent of the profits and supposedly re-establishing the company's title to the concession. Unfortunately the document had to receive a final O.K. from the Majlis, or Chamber of Deputies. The leader of the parliamentary committee handling the matter was Dr. Mohammed Mossadegh, whose memorable profile, well-timed tears, fainting spells, and tendency to wear pajamas on public occasions soon were known around the world.

It is now easy to see why the Sup-

plemental Agreement was a dead pigeon from the moment it was signed. It was almost impossible to find a literate Iranian who thought it a fair deal. Besides, history was in the hands of a small band of legislators who regarded anything short of full nationalization as a form of treason. Tied in an uneasy alliance with powerful and excitable religious leaders, or mullahs, the National Front Party, with only eight Majlis members out of 136, managed to turn consideration of the new agreement into a holy war for nationalization.

Events just moved too fast for the weak young Shah, Mohammed Reza Pahlevi, and the stubborn British company. A moderate Premier, sensing the debacle to come, tried to get the company to talk about a 50-50 formula, but the company took the stiff-necked view that the next move lay with the Majlis. Ali Razmara, Iran's popular Chief of Staff, who became Premier in 1950, tried to get the Majlis to act. Probably it was a lost cause anyway, but just about then the Arabian-American Oil Company (Aramco) announced a 50-50 agreement with King Ibn Saud. This finally jostled Anglo-Iranian into making a 50-50 offer. But on March 7, 1951, Razmara was shot by a religious fanatic. The next day the Majlis oil commission passed a resolution endorsing the nationalization of an oil company worth three-quarters of a billion dollars. Soon afterwards, a National Oil Company was formed; its first achievements were stopping the flow of oil and giving the indispensable British technicians their walking papers.



Abadan refinery, biggest in the world

Wide World

The repeated efforts since then to "get the oil moving again" have all been up against two facts. One is the mercurial instability of Iranian politics; the other, that after the shutdown Iranian oil rapidly became a drug on the international market.

Mob and Majlis

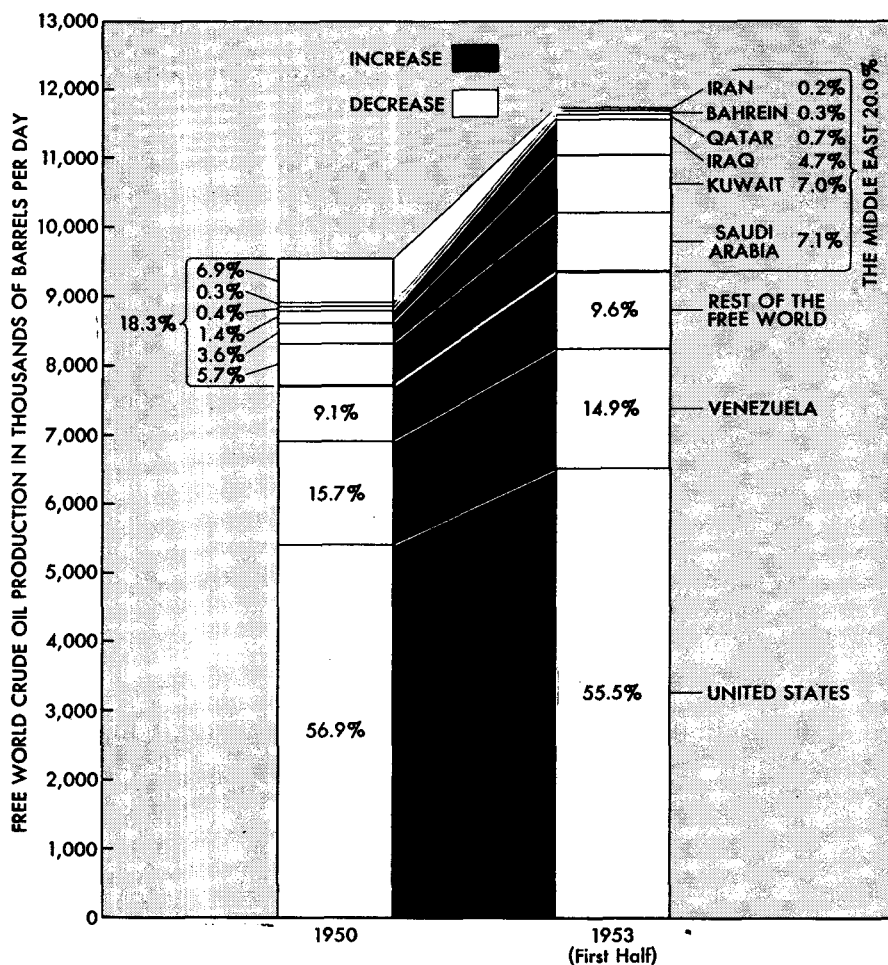
The groupings in Iranian politics cannot be classed as parties in any western sense of that word; they might better be called "forces"—often in a very physical sense. In outline, six main forces were relevant in the turbulent months of Mossadegh's power, and must still be juggled by his successor. Their relative strength is largely decided by their capacity to control the streets of Teheran. Whoever can muster two or three thousand vociferous toughs at the right place at the right time controls Teheran, hence Iran, hence one-twentieth of the world's oil—and holds in his hand the security of the Middle East.

The only political force that supported Mossadegh to the end was the Tudeh Party, a well-organized, Soviet-financed band of Communists able to bring out into the streets at any time a few hundred disciplined agitators, who in turn could easily assemble a fanatical mob several times their own number.

A second group, which helped Mossadegh to power, pushed him into nationalizing the oil fields, and finally abandoned him at the beginning of 1953, was the clique of religious fanatics led by an undersized, bearded mullah named Ayatollah Kashani. This influential cleric combines advocacy of extreme nationalism with a plan for a religious league of Moslems. His tie-in with the Moslem Brotherhood and his use of terrorist methods make him a powerful but dangerous friend. These two groups, Kashani's adherents and the Tudeh, were held together in an alliance that was always uneasy; it survived for as long as it did only because of the popularity of its *raison d'être*: kicking the British in the teeth.

A third group was the National Front, made up of a handful of prominent men whose strength lay in their ability to arouse the potencies of such key areas as Azerbaijan

NO ROOM FOR IRAN?



The loss of Iran's oil has been more than made up by other oil producers. Iran can come back into the market only if the other producers move over.

in the north and the oil region in the south. Mossadegh was the leader of this group. Its program was limited to the attractive but negative proposition that the British should be thrown out of Iran. Moreover, the National Front lacked a disciplined political organization able to match either the obedience of the Tudeh ranks or the fanatic zeal that Kashani could command. So when the going got rough for Mossadegh, his chief lieutenants abandoned him, fearful that his dictatorial urge would lose them their local backing in the provinces.

THE SMALL businessmen who control the bazaars make up the fourth group. They have some reason to tolerate the West. Bankruptcy, confusion, and dwindling imports spell depression in small as well as large business; oil could mean pros-

perity, if not for the masses at least for the merchants. But Mossadegh played effectively on a primal fear of this group: the fear that if oil revenues meant large-scale imports, only the big importers would get the business. The bazaars were always a source of manpower for Mossadegh's mobs.

The native tribes, or "nations," are the fifth force in Iranian politics, again because they are organized and armed. But the two largest tribes partly cancel each other out. The Bakhtiari around Teheran are close to the Shah. His Queen comes from this group, and its members provided General Zahedi with a base of operations while he was in hiding. They even have an economic interest in settling the oil dispute, since they are entitled to three per cent of the oil profits. The powerful Ghashghais in the south are closer

to the wells, but own no oil stock. They were, and probably still are, partisans of Mossadegh; they think so little of the monarchy that they once asked an agency of the United Nations to treat them as a separate country.

Finally, the Army proved the most resistant of the forces Mossadegh had to deal with. For the officers, U.S. equipment and training have meant new prestige and added power. In the summer of 1952, Mossadegh resigned and filled the streets with howling mobs when the Shah refused to make him Minister of Defense as well as Premier. When Mossadegh got back in after three days of tumult, much of the top leadership of the Army was changed, but he never won the confidence of most of the officers.

Cutting across all these forces is the half-real, half-mystical power of the Shah. The throne has such prestige in the eyes of most Iranians that even when, as now, the Shah is weak or indecisive he is a powerful symbol and an indispensable ally for the ambitious politician. This is partly because the Shah is commander in chief of the Army, and does in fact have the loyalty of most Army officers. But beyond this, the Shah embodies the popular belief that the head of the state is a bulwark against arbitrary rule, as Mossadegh discovered when he tried to set the Shah aside.

The agile Mossadegh was unable to build a stable base for continued power. Zahedi starts with two advantages: the support of the Shah and the control of most of the Army. But he inherits from his predecessor more than a financial mess and a rigid bargaining position with the British; he also inherits the rule of a nation intoxicated with its newly won sovereignty.

Drug on the Market

While the Iranians were so intent on going it alone, the world oil market was getting along nicely without them.

When the flow of oil from Abadan was pinched off on June 20, 1951, it looked as though there would be a critical oil shortage. The elimination of Iran as a source of crude oil was serious enough; even more worrisome was the closing down of Aba-

dan, which accounted for five and a half per cent of the West's refined oil products. In 1950 the Abadan refinery, easily the world's largest, made forty-eight per cent of all aviation gas refined outside of the United States.

Spurred by the Petroleum Administration for Defense, the American oil companies pooled storage and tankers, and helped each other on equipment for refineries. The Big Seven companies—Standard Oil of

cover what had previously come from Iran but easily supplied the normal increase in world demand for oil, which maintained its unbroken rhythm of five to six per cent growth a year.

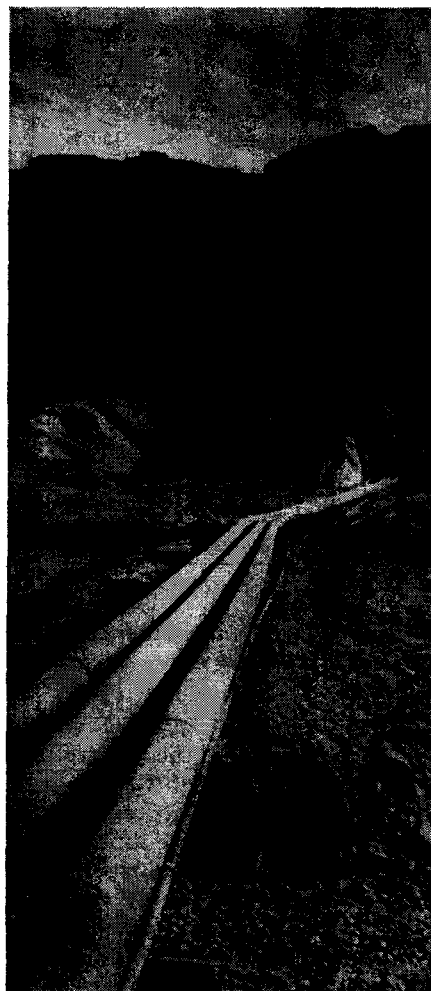
"No room! No room!" "There's plenty of room," said Alice indignantly. General Zahedi must, like Alice, find an empty chair at the table where world oil decisions are made, or else persuade those already present to move over.

There is an easy way: to reinstate the Anglo-Iranian Oil Company as concessionaire. While the Iranian supply built up again, A.I.O.C. could gradually stop buying oil from the substitute sources it has used meanwhile. But this is not a real alternative. It is inconceivable that Mossadegh's successor could go soft on the principle of nationalization.

In theory, Zahedi has another "out." He can find an independent oil company or group that is willing to help him get into the market by selling competitively—that is, by breaking the price of oil. Mossadegh apparently believed in this possibility, which was why he invited W. Alton Jones, president of Cities Service Company, to Iran a year ago. At one stage the American and Swedish consumer co-operatives talked about helping to produce and market Iran's oil, for sale direct to their own members at reduced prices. But all such schemes fell through. There are, in fact, no companies or groups outside the Big Seven that can market so large a quantity of oil.

For one thing, most of the "customers" are huge marketing companies such as Esso Standard, which have tankers, bulk storage facilities, and thousands of outlets right down to their own filling stations. These marketing companies are, with few exceptions, the creatures of the big producing companies. Besides, the Big Seven own about two-thirds of the world's tankers and they control most of the rest under long-term lease. Practically speaking, this means that nobody can come to an agreement with the Iranian government against the Big Seven's wishes.

It is a curious fact that the independent producers in the United States, who are forever issuing statements attacking the big producers,



Pipeline to Abadan

Wide World

New Jersey, Socony-Vacuum, Standard Oil of California, Texas, Gulf, Royal Dutch-Shell, and Anglo-Iranian—which operate the major concessions in Latin America and the Middle East, took the caps off a few more of their fabulous wells. Western Europe, which the Marshall Plan has enabled to refine six times as much oil as in 1947, filled most of the gap in refined products. In a single year the free world's production of oil not only rose enough to

have the greatest interest in letting the Big Seven take on the responsibility of fitting Iran back into the oil jigsaw. Many of them are less efficient producers and refiners, using U.S. oil that costs them much more than Middle East oil costs their big competitors. They have been complaining right along that it is unfair for the Big Seven to "flood the United States" with low-cost supplies from Venezuela and the Middle East, and this year they came close to getting Congress to limit oil imports. The coal interests, inspired by the rolling prose of John L. Lewis, are also anxious to restrict imports of fuel oil to the East Coast. If the Big Seven refused to cut back their own foreign production to leave room for Iran, and Iranian oil were thrown onto the market on a more or less competitive basis, the oil independents and the coal suppliers would suffer most.

SO IF IRAN is going to sell any oil to the world, the Big Seven will surely have a hand in the job. These companies can probably be persuaded to take it on. After all, U. S. oil men are aware that chaos and bankruptcy in Iran would threaten the whole Middle East, in which they have just as big a stake as the State Department does. Also, they would rather have the oil flow in channels they control than allow it to create a "disturbance in the market"—oil-company talk for "competition."

But the idea of a marketing consortium solves some problems only by raising others. To make room for Zahedi, the Big Seven will have to cut back production elsewhere, especially in the Middle East. And such a decision can hardly be taken without stirring up trouble with two troublesome interests—the anti-trust lawyers of the U.S. Department of Justice and the rulers of the other oil-producing countries.

In the twenty-four months after Mossadegh lowered the boom on Anglo-Iranian, its three neighbors, Kuwait, Iraq, and Saudi Arabia, together have more than doubled their output from a million barrels a day to 2,200,000 a day, with Kuwait, a tiny wedge of sand floating on the greatest oil field yet discovered, leading the pack. This has been

The Streets of Teheran

STELLA MARGOLD

I STOOD on Firdausi Street in Teheran early in August watching a group of Iranian youths painting "Yankee Go Home" on a garden wall. One of them turned to me smilingly and said, "Where you come from? America?" I nodded, and he remarked, "Ah, America, a wonderful country."

THE SHAH's appointment of Fazlollah Zahedi as Premier on August 15 was followed by three days of demonstrations for Mossadegh. At noon on the sixteenth the streets were quiet and almost deserted; shops were closed. Near the Foreign Office there were tanks, jeeps, and soldiers, and near other government buildings police and officers on bicycles rushed here and there. That afternoon a rally was staged at Baharistan Square by members of the pro-Mossadegh parties. Speakers were frequently interrupted by shouts of "Down with the traitors! Death to the Shah!"

The Communists appeared in tremendous numbers. Groups of them tore down bronze statues of the Shah and his father. Teen-agers broke the window of a photograph shop containing pictures of the Shah and his Queen. This sort of activity continued for two days.

On the evening of the eighteenth, I asked an Iranian couple to let me walk with them, and I was surprised to find the Iranian woman more fearful than myself. As we walked near the corner of Firdausi and Istanbul, the busiest corner in Teheran, a band of Communist-led boys came rushing toward us. They were being chased by the police after a sudden order from Mossadegh.

Mossadegh apparently knew by then that he had lost the support of the line officers in the Army and could no longer hold out against counterdemonstrations. When these began on the nineteenth, there was no opposition. Between eight and nine o'clock in the morning, about

five hundred demonstrators gathered near the bazaar, each with a club in his right hand and a stone in the left, headed by supporters of the Shah. Soon the group of five hundred was augmented by police and troops until it totaled almost three thousand. It was then divided into groups of several hundred each. The buildings of the two pro-Communist journals *Ghoureche* and *Tchalanger* were completely destroyed by fire.

I was walking home from the American Embassy on the morning of the nineteenth when I found myself following several hundred demonstrators. Suddenly they about-faced and started in my direction. I flattened myself against a wall, and I now remember only the terrible frenzy in their eyes as they passed.

Several similar groups, accompanied by soldiers and tanks, headed for the home of Dr. Mossadegh, and another commenced to pillage stores. The Soviet information center was sacked. Between noon and three o'clock the demonstrators occupied successively Radio Teheran, the Department of Propaganda, the Police Department, the office of the Chief of Staff, the Ministry of Foreign Affairs, and other departments.

It took about three hours to take Dr. Mossadegh's home, for it was defended by three companies of soldiers and five tanks. Mossadegh had fled to a neighbor's house before the fighting started.

For several days afterward tanks were stationed at important street intersections. Jeeps, soldiers, and police were everywhere, and all shops except those selling food were kept closed.

Then things started settling down. The eight-o'clock curfew was moved back to nine. The stores began reopening, and the "Yankee Go Home" slogans on walls were presently being whitewashed by the same boys who, I was told by those who knew, had received fifty cents a day to paint them.