



W. Averell Harriman, Premier Mossadegh and Ambassador Henry Grady (extreme right) in Teheran, shortly before the breakdown of Iranian oil negotiations. INTERNATIONAL

## What Went Wrong in Iran?

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A man who stood by in Teheran while the battle for Persian oil shaped up tells the inside story of shocking British blunders and wishy-washy U.S. policy that brought on the trouble.

**I** FEEL the time has come to speak bluntly about the recent events in Iran. Far more was involved than Britain's loss of her most valuable overseas asset—the oil of the land she still calls Persia. For a situation was created in which, at almost any moment, strategic Iran could fall into the hands of a communist government, become another Korea or act as the fuse touching off World War III. The ultimate outcome, as this was written, was being shaped by events in Washington, London, Teheran—and Moscow. For the moment, I should like to make a candid appraisal of the occurrences leading up to this explosive state of affairs.

The real tragedy of the Western world's major setback in Iran is that it was unnecessary. Great

Britain called the signals, and called them very badly. Had I prepared a list when I went to Teheran as United States ambassador in June of 1950—a list of all the blunders that conceivably could be made in dealing with the Iranian oil dispute—it could not have been more complete than the list of blunders which actually were committed. But the United States must also share the blame. For if British policy in Iran was fatuous and appallingly unrealistic, such American policy as existed was virtually incomprehensible.

While I offer this critique from the standpoint of one who was closely connected with the events, my only purpose is to be constructive, not recriminatory. I feel strongly that British-American co-

operation is essential for the welfare of the world, but it must be thoroughgoing co-operation—and it was not in Iran. Perhaps with the newly elected Churchill government we will be able to restore the sort of real Anglo-American partnership which is necessary if we are to retrieve anything from the Iranian disaster or avoid future ones like it. While the example of Iran helped to start further trouble for the British and therefore for all the West—most notably in Egypt—it could also serve as a valuable object lesson for Britain and America in dealing with such troubles now and in the future. I am more concerned with a problem vital to world peace than with diplomatic politesse. I shall therefore lay the cards on the table.

(Continued on Page 56)

## WHAT WENT WRONG IN IRAN?

(Continued from Page 30)

Until the British were ousted, Iran was the largest oil-producing nation in the Persian Gulf area. This part of the world—also including Iraq, Saudi Arabia, and the smaller territories of Kuwait, Bahrein and Qatar—has almost 50 per cent of the world's proved oil resources and was actually supplying 17 per cent of the world's oil production. Russia's own oil fields produce only 6 per cent of the world output. Iran has 1200 miles of common frontier with Russia, and a restive, emotional population with an extremely low standard of living. It is therefore obvious why the Soviet Union was interested in the largest nonsatellite nation on her borders. It is equally obvious that Iran was one nation in which the West could least afford to make mistakes.

Even if there were no oil in Iran and the countries adjacent to it, acquisition of Iran would fit neatly into the well-defined purpose of the Politburo—that of pressing Russian imperialist expansion wherever possible. Iran is the nat-

ural first step in any Soviet drive southward. Geographically, she is like the vestibule of a building from which fifth column and military forces could spread into the rooms—toward Suez and North Africa, on the one hand, toward Pakistan and India, on the other. Russia had no satellite in a position to capture Iran for her while sparing the Soviet Union the responsibilities of direct aggression which could start World War III. But British and American errors created an almost perfect setup for a communist coup to put Iran behind the Iron Curtain without military effort on Russia's part.

Unfortunately, the dangers involved in the Iranian oil dispute were painfully slow to be appreciated either in London or Washington. The Anglo-Iranian Oil Company, without check from the British Foreign Office, fomented a situation which could not have served Russia's purposes better if she had planned it herself. At the same time, our own Government failed to impress on the British the dangers in the policies being followed by the oil company or to take adequate measures to improve economic conditions in Iran which would help to neutralize the stupidities of British policy and the natural conse-

quences of communist undercover activities.

One cannot have the slightest doubt that American economic and military aid saved Greece from communist imperialism. We have bolstered Turkey, particularly with regard to military equipment. Our economic assistance helped turn the tide against the Communist Party in Italy and France, and we are now heavily involved in building up the military defenses of all Western Europe. Our anticommunist formula has amply justified itself wherever it has been given a fair trial.

But Iran, a more obvious corridor to areas coveted by the Soviet than either Turkey or Greece, has been virtually neglected. It is difficult to understand just why. I have never been able to do so. It seems to me that there is very little purpose in strongly arming Greece and Turkey if Iran is to be left wide open. You don't need more than one hole in a football line to make gains and touchdowns. In fact, the heavy arming of Turkey is simply a greater incentive for the Soviets to go through Iran.

I admit that we faced serious difficulties in giving military aid as effective as that we provided Greece. The Iranian army of 135,000 men lacked

not only equipment but also adequate training. It is now getting both, but it takes time to prepare even a small army. But we have practically neglected economic assistance, despite our promises to provide it. It is true that we have given Iran some Point Four help, and this was important in a sense, particularly our aid in destroying a plague of locusts and in providing DDT. But our total Point Four contribution to Iran up to date has come to approximately \$2,000,000, and this is an extremely small amount, in view of Iran's needs. This item aside, our lack of real economic assistance was not only a negative force; under the pressure of Russian propaganda and the grave errors of the British, it became a positive contributing factor to the disaster.

Our Government never formally promised the large amounts of aid which the Iranians expected—\$250,000,000 was the favorite figure. Technically, from a standpoint of war damage due to our forces, Iran had no claim on our treasury beyond that settled on and paid right after the war ended. But from the standpoint of our own interests and as a critical spot in the effort to contain Russian aggression, there was every reason why we should have

given active assistance. This is particularly true since countries not nearly so strategic—in fact, not strategic at all—have received great monetary support from the American Government. I repeat, I find it impossible to understand American policy toward Iran.

A year and a half ago, the President and the Secretary of State asked me to go to Iran as ambassador and head of an economic mission furthering our policy of attempting to stop Russian aggression wherever it threatened. Great stress was put on the fact that the American Government, through my direction, would endeavor to accomplish in Iran some of the things that had been accomplished in Greece. Since I previously had been the American ambassador to Greece, it was only natural that the Iranians should have regarded me as a symbol of better days to come for their poverty-stricken country.

As a condition of my agreeing to go to Teheran, I was assured that our military aid to Iran would be doubled and the Export-Import Bank in Washington would make a loan of \$50,000,000. The latter figure was cut in half before I even left for the Iranian capital, but I felt that this would be at least a beginning and that further credits could be built upon the initial \$25,000,000 loan, after it was put into operation, so I went ahead.

I took eight economic and financial experts with me to Teheran for a concentrated three months' survey. They made a number of constructive suggestions with regard to Iranian exchange and transportation, and their recommendations were well received and carried out by the Iranian officials. The experts were particularly helpful in clearing up serious congestion at Iran's principal seaport. Military aid increased, though it never reached anything like the proportions of equipment for Greece or Turkey. I am not arguing this point particularly, because it was a question whether the Iranian army at that stage could absorb larger amounts of matériel effectively. The weakness of our effort was on the side of adequate financial assistance. If we had come in quickly and with adequate amounts, the whole situation in Iran might very well be different today.

Steps were taken to prepare the loan application as soon as I arrived in the Iranian capital in June of 1950. It was necessary for me to say to the prime minister then, and on a number of later occasions, that a \$25,000,000 credit, if promptly and successfully implemented, would be the beginning of a line of credit which would make possible the rebuilding of his country's economy. But the loan agreement was not ready for signing with the Iranian government until January of 1951. By then, Prime Minister Razmara was discouraged. He said that his country now felt that we were offering too little and too late, and it would be impossible to persuade the Majlis—lower house of the Iranian Parliament—to grant him authorization to make the loan.

I tried to persuade Washington to indicate that the \$25,000,000 should be regarded as an opening credit, that the bank was prepared to go up to \$100,000,000 on properly accredited projects such as road building and agricultural development—basic, grass-roots aid. Washington refused, on the ground that this would be interpreted as a definite promise of \$100,000,000. Since the Iranians were contending that we had already promised them \$250,000,000—and the exact source of this figure has always been something of a mystery—I felt that it would be some gain to get

them to come down in their expectations to \$100,000,000!

In any case, Washington's action was most unfortunate because it took away much of the political strength of Prime Minister Razmara, on whom we were relying to keep Iran allied with the Western democracies. Our stand, coupled with that of the British-owned oil company in refusing further, though only nonmonetary, concessions which might have enabled him to get a pending oil agreement through the Majlis, so weakened Razmara's position that he doubtless would shortly have fallen from power. Instead, he was assassinated on March 7, 1951, by a member of a terrorist organization.

Our loan had still not been implemented as this was written, though Prime Minister Mohammed Mossadegh—the man under whom the Anglo-Iranian Oil Company was expropriated and the British oil men evicted from Iran—had secured authority from the Majlis to make it. Washington had now become greatly "concerned" as to whether Iran had the dollar exchange to service the loan or the rials to provide the local expenditures incidental to carrying out the purposes of the loan. This despite the fact that assurances had been given on these points by Razmara before the

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### MAN'S ESTATE

Although he is not twenty-one,  
He feels he's fully grown  
(The day his parents give to him  
A latchkey of his own!

—INA S. STOVALL.

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Export-Import Bank announced in October, 1950, that it was ready to proceed with the loan.

After this, delays began to set in. Washington currently, in fact, seemed hesitant about doing anything that would appear to give support to Mossadegh because he was behaving rather badly on the petroleum issue. The British were counting right along on economic and financial pressure to get rid of Mossadegh, and expected us to join them in this. While our hesitations about granting the long-overdue credit might have had nothing to do with the oil situation, there was sufficient parallelism and timing between British and American actions to make the Iranians feel certain we were following the British in putting on a financial squeeze.

The concept that financial pressures would bring the Iranians into line and solve the oil problem in Iran was from the beginning the key to the British blunders which proved so costly. This notion springs from a colonial state of mind which was fashionable and perhaps even supportable in Queen Victoria's time, but is not only wrong and impractical today but positively disastrous. It is an attitude which seems to persist in spite of the British experiences in India, Burma, Ceylon and Egypt. In Iran, it was expressed in variations of this theme: "Just wait until the beggars need the money badly enough—that will bring them to their knees." I heard that vapid statement so often that it began to sound like a phonograph record.

The British attitude simply failed to take into account the rising tide of nationalist-independence sentiment in formerly colonial or semicolonial coun-

tries such as Iran. It led the British to underestimate Mossadegh beyond all reason, for it could hardly be easy to get rid of a man who regularly gets unanimous votes of confidence from both houses of the Iranian Parliament and who apparently has the support of approximately 95 per cent of the country's population. And even the removal of Mossadegh from the scene would not guarantee the rise of a "more reasonable" man in his place. On the contrary, experience throughout history shows that economic confusion and disintegration lead to the selection of radicals rather than moderates.

Great Britain had held Persian oil rights for half a century when the explosion came. The Anglo-Iranian Oil Company, with 53 per cent of its stock owned by the British Government, built the world's largest oil refinery at Abadan and made net profits of approximately 100,000,000 pounds in 1950. The Iranian Government, relying on the oil company for about 43 per cent of its income, was receiving 13,000,000 to 15,000,000 pounds a year in royalties—or about 15 per cent of the oil company's net proceeds. A supplementary agreement to the agreement then in force was signed by the company and the Iranian Government in July of 1949, subject to ratification by the Majlis. It provided new rates increasing Iran's share of the profits to 25,000,000 to 30,000,000 pounds yearly. Since American oil interests in Saudi Arabia and an international oil company in Iraq are now paying royalties on a 50-50 basis and profiting, upward revision of the Iranian royalties to 25 or 30 per cent of net profits could not be regarded as an excessively liberal gesture.

Ratification of the new oil agreement by the Majlis became a political issue in Iran. It eventually became a highly emotional issue. Mossadegh's National Front in the Majlis had only eight deputies out of a total of 136; yet it was so strategically organized, and its attitude of opposition to foreign economic and political domination struck such a responsive chord, that this handful of men was able to dictate Iranian policy. Failure of Prime Minister Ali Mansur to obtain ratification of the new oil agreement led to the fall of his government in June of 1950. Prime Minister Razmara, succeeding Mansur, faced the political necessity of obtaining additional concessions from the oil company if ratification was to be obtained. What he sought were non-monetary concessions. He did not press for royalty increases beyond those in the supplementary agreement.

Razmara asked, for example, that the oil company increase the number of Iranians trained and employed by the company. He requested a price cut on oil products sold in the country; Iranians were paying sixty-five cents a gallon for gasoline refined from their own oil while the British Navy and Air Force were known to be paying only a fraction of this amount, although the exact price never became a matter of public record. In effect, the Royal Navy and Air Force were being subsidized at the expense of Iran. Since the oil company's sales in Iran amounted to only 5 per cent of production, it would have cost the company relatively little to cut the price to Iranians to the same level as that charged the British Government. Small concessions at this point, in other words, might well have prevented a political catastrophe and a loss of investment to the British of three quarters of a billion dollars.

But the British attitude, during that summer and fall of 1950, was remark-

ably obtuse and complacent. Soon after I arrived in Iran, I suggested that the oil company send one of its top officials from London to deal with the Iranians, instead of leaving negotiations largely in the hands of the local manager. This was done eventually—about one year too late. I called the local manager's attention to the dangers of a move toward nationalization, based upon the experience of American oil companies in Mexico in 1938, even before Doctor Mossadegh's oil commission in the Majlis began to discuss the question. The warning was dismissed. The British Foreign Office, in response to our urgings, maintained throughout 1950 that it did not interfere in the management of the company, although the British Government controlled the voting stock. Oil-company officials in Iran reiterated frequently that the oil company was a commercial enterprise not in any way concerned with British or American foreign policy. And always there was the colonial-minded refrain that the Iranians would ratify when they needed the money badly enough.

But when the situation reached a climax early in 1951, the British Government suddenly discovered that it was concerned very vitally with the policies of the oil company. Now the Foreign Office took over to a large extent the strategy of saving the oil industry from nationalization and the British Government from the loss of large revenues. The Foreign Office was either right in the fall of 1950 and wrong in the spring of 1951, or vice versa.

Three days after Prime Minister Razmara went before Doctor Mossadegh's oil commission in the Majlis to oppose nationalization, he was assassinated as a British agent. The terrorist group of religious fanatics responsible for this crime was not connected with Doctor Mossadegh's National Front, but it certainly agreed with the sentiment that the British should be driven from Iran. And of course the situation was made to order for the Iranian communist Tudeh Party and its masters in Moscow. Rioting and looting broke out, with eight Iranian and three British subjects killed by Iranian troops. A strike of oil-field laborers, started on March twenty-second, in protest against the oil company's exceedingly ill-timed withdrawal of special financial allowances for workers in new and relatively undeveloped areas, mushroomed into a general strike. This was not settled until April twenty-fourth, after the allowances had been restored and a bonus paid workers who stayed on the job.

To describe Razmara as a British agent was of course preposterous. He was simply trying to serve his country's best interests. He knew, as does every informed Iranian or foreign observer, that nationalization of the oil industry cannot be in the interests of Iran.

But emotions were now running away with the situation. Hussein Ala, former Iranian ambassador to the United States succeeded the murdered Razmara as prime minister, but was compelled to resign himself after only forty-eight days in office, because he could not obtain the co-operation of the Majlis. The next day, April twenty-eighth, the Majlis asked, by a seventy-nine to twenty-one vote, that the Shah request Doctor Mossadegh to head a new government. The National Front leader accepted with a proviso that the Majlis and the Iranian Senate approve the immediate eviction of the Anglo-Iranian Oil Company. The Majlis agreed to this the same evening; the Senate followed suit two days later. Legislative

implementation of the eviction procedure followed on June thirtieth.

Mossadegh and his immediate followers have been convinced that Iran could run her own oil industry by hiring foreign technicians, and could sell the products to the same extent, or to almost the same extent, that Anglo-Iranian had sold them in the past. There was and is great naiveté in the approach of the Mossadegh group to the whole problem. Even if Iran could obtain the foreign technicians—she certainly does not have enough of them herself—she would still have to find herself experienced and competent management and a tanker fleet to haul the oil products from the Abadan refinery. Yet the compensation of British interests for the properties they lost depends first upon the Iranian Government's success in operating the industry, and secondly on the good will of the Iranian Government in meeting the claims the oil company is "presumed" to have against Iran.

Once the British were thoroughly awakened to the dangers of the situation, they sent down from London several directors under the chairmanship of Basil Jackson, deputy chairman of the board of Anglo-Iranian. Their proposal was a generous one, though not adequately elaborated for presentation to the Majlis oil commission. I urged Mossadegh to give the proposal careful study, for it would give him the nationalization he sought while providing British operation of the industry through a subsidiary of Anglo-Iranian. This management company would carry on the exploitation, refining and sales of oil and after deducting, say, 10 per cent to pay the company for its properties, would divide the remaining net with the Iranian Government.

Mr. Jackson and his group hoped to secure a twenty-five-year management contract. Such a contract is similar to those made by American oil companies with Mexico. It seemed to me that it would remove the basis for fear on the part of the Iranians that the oil company would continue to interfere in their internal affairs. But the oil matter

had become a symbol of the passion for complete economic independence which has developed not only in Iran but throughout the Middle and Far East. Not only were Mr. Jackson's proposals rejected but when Richard Stokes, representing the British Government, arrived in August, his proposals were likewise rejected.

Mr. Stokes' proposals were basically similar to the Jackson proposals and under the influence of Averell Harriman, President Truman's special representative on the oil question, talks covering two weeks were held. The result, however, was the same. The Iranians and the company were too far apart to give hope of a solution. The philosophy of the nationalization group in Iran would have to change basically before it could meet the British position. And the British position was reasonable, but I fear this reasonableness came too late. Subsequently the British brought the issue before the United Nations and suffered a propaganda defeat when UN dodged the question pending action by the World Court. The UN itself lost face in the process. Ten days of talking with Doctor Mossadegh in Washington by high officials of the United States State Department, plus a conversation with President Truman, were no more productive of immediate results.

While the British did come up with a reasonable proposal when it was too late, the reasonableness was confined to the proposals and did not extend to the general approach of the British. They remained wedded to force and power politics, to the notion that if they could only cause enough economic chaos in Iran to get rid of Mossadegh, all would be well. They held up conversion of sterling balances belonging to the Iranians; they deprived the Iranians of their preferred position in obtaining scarce materials. What they accomplished was to make Mossadegh a world figure and a symbolic champion of all Middle Eastern and Far Eastern countries which felt themselves to be downtrodden.

Not the least of the British errors has been the tendency to discount Mossa-

degh's power and leadership. Mossadegh is a man of great ability as a popular leader and is regarded even by his critics as thoroughly honest. He is also a man of great intelligence, wit and education—a cultured Persian gentleman. He reminds me of the late Mahatma Gandhi. He is a little old man in a frail body, but with a will of iron and a passion for what he regards as the best interests of his people. If he does great harm and, in effect, serves the interests of the Soviet, it will not be because he wishes to do so, but because he feels that his real fight is with what he regards as British economic aggression.

It is indeed fortunate that the British yielded to vigorous American pressure and did not land troops to protect their property and nationals in Abadan. This could easily have led to a clash between British and Iranian troops. In turn, the Soviet Union might well have invaded Iran's northern provinces to protect Russia's interests under their interpretation of the 1921 Iranian-Russian Treaty. And of course the presence of British and Russian troops in Iran could easily have brought about World War III.

Iran received her last oil royalty from the British last March. Internal economic conditions in the country have worsened steadily since then—and they never were good. The situation could not be better for a communist coup.

The United States and Great Britain have the same broad objectives. We do not wish to see Iran or any other country go behind the Iron Curtain, nor do we want the Soviets to have a wide-open door to strategic territory and strategic resources.

Yet, in the working out of what is supposed to be our common policy, we have entirely different approaches. The British have never been sympathetic to our Export-Import Bank loan. I don't suppose they are too happy about the \$24,000,000 in technical assistance which recent legislation will provide in Iran separate from such a loan. The British have regarded our increasing interest in Iran as an incursion into territory which they feel they should dominate. Why it should be necessary to think or talk in terms of either country dominating or being prior, I cannot understand. For I see no reason why we should not co-operate on economic matters in the Middle East just as we are already co-operating on military matters.

One of the most important problems now facing us is the thoroughgoing coordination of British and American policy. This cannot be attained by the British being the tail to our kite or vice versa; I should hope that we would not reach a position of underwriting British policy where it achieves a disaster such as that which occurred in Iran. But we must recognize that the power, both financially and militarily, is ours, and the British can only have that power through us.

We need the support of Great Britain and the British Commonwealth in our efforts to stop Russian aggression, but we must assert leadership based upon our power and responsibilities. For a situation has been reached in the world where we not only do most of the fighting when the fighting is on, but also pay most of the bills for reconstruction. If we are to be in on the crash landing, we should also be in on the take-off! We ought to have some say about what we are buying—for all we want to purchase with our blood and treasure is a world at peace.

