

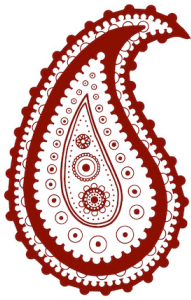
DĀNESH

THE OU UNDERGRADUATE
JOURNAL OF
IRANIAN STUDIES



The UNIVERSITY of OKLAHOMA
College of International Studies
Department of International and Area Studies

Volume 2 (2017)



The UNIVERSITY *of* OKLAHOMA
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FARZANEH FAMILY CENTER
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From the Faculty Advisor

This second volume of *DĀNESH* represents a significant expansion of the journal, both in terms of the scope of topics covered by the published articles, and by the growth of the journal's editorial team. Since its founding in 2016, *DĀNESH* has sought to provide a forum to showcase original research produced by Iranian Studies undergraduate students at the University of Oklahoma. This volume of the journal was produced through the able leadership of **Elizabeth "Libby" Ennenga** (BA, 2017), as the journal's editor-in-chief. Under Libby's editorial leadership *DĀNESH* has continued to thrive as a forum for the study of all aspects of the history, culture, society, and politics of Iran and the Persianate world.

This year also marks the maturing of OU's Iranian Studies program into the newly christened **Farzaneh Family Center for Iranian and Persian Gulf Studies**. As the program has grown, so too has the interest and dedication of OU students in the field of Iranian Studies. The publication of *DĀNESH*, a peer-reviewed journal published under the auspices of OU's Farzaneh Center and the OU College of International Studies, is also dedicated to highlighting the growing undergraduate program in Iranian Studies at the University of Oklahoma.

The name of the journal, *DĀNESH*, comes from the Persian word meaning *knowledge, learning, and wisdom*. We believe this is a fitting name for a journal that seeks to foster deep and compassionate understanding of one of the world's most culturally rich and historically complex civilizations. It is with this in mind that we present the second volume of *DĀNESH*.

Afshin Marashi

Farzaneh Family Chair in Modern Iranian History

Director, Farzaneh Family Center for Iranian and Persian Gulf Studies

From the Editor-in-Chief

I am honored to have been a part of the creation of Volume Two of *DĀNESH*. After an exceptionally successful inaugural edition of the journal, I have been more than impressed to see the quality of this new edition. This journal is made up of outstanding research examining the rich history, numerous religions, complex political climate, and vibrant culture of Iran. I believe in the transformative power of knowledge, and each article published in *DĀNESH* proves the academic dialogue on Iranian Studies is thriving at the University of Oklahoma.

Many students worked diligently to create the second edition of the journal. I would like to acknowledge and thank all of the associate editors who were consistently a positive hardworking team throughout this process. I would also like to recognize the authors of Volume Two; whose distinguished works are the reason the journal is possible. Each author remained professional, involved, and patient throughout the entire process — and for that I thank you. To the University of Oklahoma Libraries and Printing Services, thank you for your necessary assistance to help make *DĀNESH* accessible to readers both digitally and in physical copies.

The quality of work and endless support given to this journal is a direct reflection of the growth of the Iranian Studies Program at the University of Oklahoma. Thank you to the Farzaneh family for their generous donations that have allowed students to continue to pursue their interests in Iranian Studies. Most of all, my sincerest gratitude goes to Dr. Afshin Marashi. Neither this journal, nor the Iranian Studies Program would be possible without your continued support of the students and their work. Your guidance, assistance, and support have made all the difference.

Libby Ennenga (BA 2017)
Editor-in-Chief

Oil Politics in the Pre-Mossadegh Years: The Anglo-Iranian Oil Company and Iran's Struggle for Equitability, 1901-1941

Andre Teimore

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When William D'Arcy negotiated the notorious Iranian oil concession of 1901 with the Qajar state, it is unlikely that he could have foreseen the agreement's long-term implications regarding both Anglo-Iranian relations and Iranian internal politics. These implications ultimately involved influence on Iran's political stability, conflict between Iran and the UK, and state-corporation conflict between Iran and the Anglo Iranian Oil Company (AIOC). What began as a highly controversial concession between D'Arcy and Mozzafar al-Din Shah, on behalf of the Qajar state, eventually evolved into a state-corporation relationship that was upheld by multiple concession agreements and renegotiated extensions to those agreements.¹ This relationship between Iran and the AIOC was, at various times, supported by a problematic set of agreements as both parties were often engaged in a power struggle that involved protection of profits, adherence to the terms of their agreements, and Iran's efforts to avoid excessive exploitation.²

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¹ "Oil Agreements in Iran," *Encyclopædia Iranica*, last modified July 20, 2004, <http://www.iranicaonline.org/articles/oil-agreements-in-iran>. Accessed January 19, 2017.

² "Anglo-Persian Oil Company," *Encyclopædia Iranica*, last modified August 5, 2011, <http://www.iranicaonline.org/articles/anglo-persian-oil-company>. Accessed January 19, 2017.

The eventual outcome of the seemingly tense relationship between Iran and the British oil company was a major effort by the Iranian government to nationalize its oil industry. The successful nationalization of Iranian oil drew the ire of the British government, and eventually led to a British-American effort to initiate a coup aimed at deposing the Iranian Prime Minister, Mohammad Mosaddegh, and propping up Mohammad Reza Shah Pahlavi.³ There is often excessive focus on Prime Minister Mosaddegh's efforts to nationalize the oil industry; however, it is arguable that Mosaddegh was not the first high-profile Iranian leader to push for a more equitable relationship with AIOC. When analyzing the history of the D'Arcy concession, the revisions to the original concession between D'Arcy and Mozzafar al-Din Shah, and the additional agreements and concessions that took place between 1901 and 1933, it is clear that Reza Shah Pahlavi made significant efforts to renegotiate the terms of the concessions and possibly cut all ties with AIOC, all of which could be regarded as precursors to Mosaddegh's ambitious attempt to nationalize Iranian oil. Though the politics of these historical events are significant and worthy of analysis, the object of the research is to examine the terms of Iran's oil concession to William D'Arcy and its agreements with the AIOC, while analyzing the legal basis for the nationalization of Iranian oil. It is inevitable that politics will always play a vital role in international disputes; however, any analysis of the legal terms of Iran's agreements with the AIOC and the United Kingdom will be constrained within the legal terms of those agreements.

The Origins of British-Iranian Oil Agreements

Although the disputes that led to both Mosaddegh and Reza Shah's efforts to nationalize Iranian oil were between the Pahlavi state and the AIOC, the origins of this relationship were rooted in the 1901 D'Arcy concession.⁴ In 1901, William Knox D'Arcy, an Australian millionaire of British decent, took particular interest in the prospect of seeking an oil concession from Iran. After negotiations took place between D'Arcy's secretary and Mozzafar al-Din Shah, the D'Arcy concession was signed in May 1901, giving D'Arcy exclusive rights to find and export all Iranian oil, with the exception of exploiting provinces within the Russian Sphere of

³ Ibid.

⁴ "Oil Agreements in Iran."

Influence, for sixty years.⁵ Specifically, the terms of the D'Arcy concession withheld any privilege for D'Arcy to discover or mine oil in the provinces of Azerbaijan, Gilan, Mazendaran, Asdrabad, and Khorassan, but it also prevented the Iranian government from granting any other party the right to construct pipelines near the southern coasts and rivers of Iran.⁶

The Anglo-Persian Oil Company was a product of the legacy left behind by the D'Arcy concession. Though, D'Arcy had obtained exclusive rights from the Shah to explore Iran for its oil, D'Arcy did not have a large corporation to advance his interests, and he would eventually require more than private funds to advance his quest for oil.⁷ As D'Arcy's company became in desperate need of funding, it eventually struck an investment deal with Burmah Oil in 1905.⁸ It is important to note that in addition to the financial assistance D'Arcy required, the terms of the concession stated D'Arcy would have a limited time to establish companies that would be given all the privileges of the concession.⁹ It is likely that this left D'Arcy with few options but to accept whatever deal he could strike for financial aid; this was a predicament that left the concession itself vulnerable to exploitation. The British government appeared to have taken full advantage of this situation by putting pressure on Burmah Oil to save the D'Arcy concession through financial support.¹⁰ Burmah Oil's involvement in the concession was the United Kingdom's first attempt at taking control of Iranian oil. This was unlikely a problematic situation for the Iranian government, who had been largely oblivious to the value of oil at the time and were primarily focused on revenues for infrastructure development. The involvement of the United Kingdom would, however, become an issue regarding disputes between the parties of the oil concession at a later time.

Development of the Anglo-Persian Oil Company

When negotiations between D'Arcy and Burmah Oil were complete, an agreement was made that formed the Concessions Syndicate LTD, which inherited the assets of D'Arcy's First Exploitation Company and

⁵ Geoffrey Jones, *The State and the Emergence of the British Oil Industry*, (London: The Macmillan Press, 1981), 130.

⁶ Mark Cullen, *The Evolution of Petroleum Concessions in Iran and Alberta*, (Alberta: University of Alberta Press), 8.

⁷ Jones, *The State and the Emergence*, 133.

⁸ *Ibid.*, 134.

⁹ Cullen, *The Evolution of Petroleum*, 11.

¹⁰ Jones, *The State and the Emergence*, 133-134.

established D'Arcy as the director.¹¹ Shortly after, upon the discovery of vast quantities of petroleum in 1908, the relationship between D'Arcy and Burmah Oil needed to evolve, which led to the incorporation of the Anglo-Persian Oil Company (APOC) in 1909.¹² Once the company had gone public, Burmah Oil purchased a majority of its shares from D'Arcy.¹³ It is clear that from the conception of the D'Arcy concession to the eventual birth of APOC, the company was not under state control; however, APOC's relationship with the United Kingdom was apparent in the following years, as the UK became the primary beneficiary of Iranian oil.¹⁴ The British government grew dependent on its relationship with APOC while it also obtained significant control of the company's voting power, and this dependency was ostensibly the underlying foundation for future conflict between the United Kingdom and Iran.¹⁵

In addition to a developing precursor to tensions between Iran and the United Kingdom, there were issues that were inherently present between Iran and APOC toward the end of the Qajar Dynasty. The D'Arcy concession contained a resolution in Article 10 that mandated a payment worth 16% of APOC's net profits in royalties to Iran each year.¹⁶ This was a value that was increasingly deemed as insufficient to the Iranian government, who was concerned about some of the tactics the company was engaging in to undermine the sovereignty of the Qajar state and to decrease the amount of royalties paid. Much of the Iranian government's concern was centered around the means by which APOC calculated its "net profits" and the deductions that were factored into those calculations.¹⁷

Aside from the monetary issues associated with tensions between Iran and APOC, questions arose concerning the company's efforts to undermine the sovereignty of the monarchy. Among the most significant challenges to the Iranian government was APOC's willingness to subjectively

¹¹ Ibid.

¹² Cullen, *The Evolution of Petroleum*, 17.

¹³ "Anglo-Persian Oil Company."

¹⁴ Jones, *The State and the Emergence*, 145.

¹⁵ Homayoun Mafi, "Iran's Concession Agreements and the Role of the National Iranian Oil Company: Economic Development and Sovereign Immunity," *Natural Resources Journal*, 48 (2008): 409.

¹⁶ Cullen, *The Evolution of Petroleum*, 9.

¹⁷ Ronald W. Ferrier, *The History of the British Petroleum Company: Volume 1, The Developing Years 1901-1932*, (Cambridge: Cambridge University Press, 1982), 365-371.

undermine its own agreements with Iran and negotiate directly with Iranian tribes who did not have sovereignty or legal authority over their land. In 1905, the Concessions Syndicate and the Bakhtiyari Khans had signed an agreement allowing the company to drill on Bakhtiyari territory while granting a three percent stake to the Khans.¹⁸ The agreement had eventually established the Bakhtiyari Oil Company (BOC) and APOC went on to receive 97% of its shares.¹⁹ It is important to note that Article 10 of the D'Arcy concession also stated that any company formed "in accordance" with the concession would be required to contribute to the 16% royalties that D'Arcy and associated companies were required to pay to the Iranian government.²⁰ For the Iranian government, and particularly the monarchy, the Concession Syndicate's relationship with the Bakhtiyaris had become increasingly problematic for two main reasons. First, the Iranian government viewed the Concessions Syndicate/APOC's dealings with the Bakhtiyari Khans as illegitimate and a violation of the sovereignty of the Iranian government on the basis that the Khans did not own the oil or the land, and they have any jurisdiction to sell the rights to drill on Iranian land to APOC or any other entity.²¹ Second, it was to the belief of the Iranian government that it was corrupt for APOC to deduct the three percent profits of BOC from its annual royalties to Iran.²² This deduction from the profits of APOC was among the concerns of the Iranian government, and it, along with various other issues the Iranian government had in regards to APOC's calculations, played a vital role in the eventual renegotiations regarding the terms of the D'Arcy Concession. This became clear when the relationship between both parties began to degenerate during the First World War, as British dependence on Iranian oil was key to military modernization.²³

In 1915, cracks began to form in the relationship between APOC and the Iranian government, when several of the company's pipelines were ruptured by Bakhtiyari tribesmen. As a result of the ruptures, APOC claimed that Article 14 of the D'Arcy concession had required Iran to contribute £160,000 to cover the costs of the damage; however, the Iranian

¹⁸ Stephanie Cronin, "The Politics of Debt: The Anglo-Persian Oil Company and the Bakhtiyari Khans," *Middle Eastern Studies* 40 (2004): 4.

¹⁹ *Ibid.*, 5.

²⁰ Cullen, *The Evolution of Petroleum*, 9.

²¹ Cronin, "The Politics of Debt," 5.

²² *Ibid.*, 5.

²³ Mafi, "Iran's Concession Agreements," 409-410.

government disagreed with this claim.²⁴ Article 14 of the D'Arcy concession states:

The Imperial Government binds itself to take all and any necessary measure to secure the safety and carrying out of the object of this Concession, of the plant and of the apparatuses of which mention is made for the purposes of the undertaking of the Company. The Imperial Government having thus fulfilled its engagements, the Concessionaire and the companies created by him shall not have the power under any pretext whatever to claim damages from the Persian Government.²⁵

As such, the Iranian government asserted the D'Arcy concession explicitly stated that the Persian Government was not responsible for compensating D'Arcy (or his associated companies) for any damages.²⁶ It is likely that APOC's dealings with the Bakhtiyari Khans, and the manner in which the company had deducted from its royalty payments, only made the Iranian government's decision to object to compensating for damages easier. While the D'Arcy concession had required such disputes to be settled through arbitration, APOC had decided to forego arbitration and sanction the Iranian government by ceasing royalties from 1915 to 1919.²⁷ The disagreement was eventually managed through arbitration in 1920 where a provisional agreement had been reached but was never ratified by the Majles.²⁸ Additionally, there was growing discontent among Iranians that royalties were dramatically fluctuating from year to year as a result of being tied to net profits rather than production or gross selling value (the exclusion of deductions). This dispute would eventually haunt the relationship between the Iranian government and APOC once the Pahlavi Dynasty came to power and Reza Shah sought to reevaluate Iran's commitment to the D'Arcy concession.

The Armitage-Smith Agreement

By the end of the First World War, it was clear that if the D'Arcy concession were to continue and the Iranian government and APOC were

²⁴ Cullen, *The Evolution of Petroleum*, 18.

²⁵ *Ibid.*, 10.

²⁶ *Ibid.*, 28.

²⁷ *Ibid.*

²⁸ Alan W. Ford, *The Anglo-Iranian Oil Dispute of 1951-1952: A Study of the Role of Law in the Relations of States* (Los Angeles: University of California Press, 1954), 17.

to engage in a productive relationship, revisions would need to be made in order to clarify and settle on each other's understanding of the agreement. It was increasingly evident that Iran's interests were not being regarded by the concession, and it is likely that appeasing the British government became a priority for APOC, as the Admiralty had established a secret agreement with APOC for a twenty-year fuel contract, which also granted the Royal Navy a rebate from APOC's profits (it is likely that rebates such as this were part of the deductions from royalties to Iran).²⁹ What is most notable about this agreement is that it paved the opportunity for the British government to become the largest shareholder of APOC, giving it significant voting power within the company.³⁰ Additionally, uprisings within Iran, and the rise of nationalist movements, displayed the peoples' dissatisfaction with the exploitation of Iranian resources and apparent weakness of the Qajar state.³¹

It had become in the Iranian government's best interest, both politically and economically, to pursue a new resolution to settle the issues between itself and APOC, while it was also in APOC's best interest to strengthen its weakening relationship with the Iranian government. As such, the two parties sought to settle on the Armitage-Smith Agreement of 1920. Sydney Armitage-Smith, a British treasury official, had been given the task of negotiating an agreement with the Qajar state that would alleviate the concerns of both parties with regards to their disagreements over the D'Arcy concession.³²

The Armitage-Smith Agreement went a long way toward resolving many of the issues the Iranian government had with APOC and the terms of the original D'Arcy concession, but it is arguable that the agreement also took a few steps back, as there were new provisions which seemed to disadvantage Iran in favor of APOC's profits. The first article of the Armitage-Smith agreement corrected the issue in which subsidiary companies of APOC that operated outside of Iran were free from any obligation to contribute their profits toward royalties to the Iranian government, but the Article exempted oil that was exported by ships to be counted toward profits which significantly reduced the royalties that Iran would have received otherwise. Additionally, subsidiary companies were granted various forms of reductions from their obligations to contribute to

²⁹ "Oil Agreements in Iran."

³⁰ Ibid.

³¹ Ibid.

³² "Anglo-Persian Oil Company."

Iran's share of the profits, while such companies also went on to be defined as those in which APOC had a 50% or greater stake in the company.³³ Requiring a 50% stake as a threshold likely eliminated most companies in which APOC had partial ownership from being considered as subsidiary companies. The Armitage-Smith Agreement did, however, successfully resolve many of Iran's issues prior to both parties engaging in talks for the agreement. It had resolved the issue in which APOC was able to deduct BOC profits, and those of various other subsidiary companies, from its royalties to Iran.³⁴ Nevertheless, many issues persisted, such as the ongoing decision to use net profits as the basis for calculating royalties as opposed to production. This decision had essentially left open a loophole in which it was to APOC's advantage to invest as much of its earnings as possible in capital, rather than having excess profits that would be subject to royalties.

Ultimately, the Armitage-Smith Agreement seemed to do little to appease the Iranians. Although both the Iranian government and APOC had operated under its terms, the Armitage-Smith Agreement was never actually ratified and approved by the Majles.³⁵ Within Iran, popular opinion toward the relationship between the Qajar state and APOC was particularly negative as nationalist movements had spread across the country and led to the eventual rise of Reza Shah, whose bid to establish a new dynasty was successful.³⁶ It is under the Pahlavi state that we begin to see a dramatic shift in the Iranian government's approach in regard to its dealings with APOC. The nationalist movement that had brought Reza Shah to power had shown an eagerness among Iranians for their government to take an assertive approach to acting in the country's best interests, and it was a promise that Reza Shah would be obligated to uphold.

Precursor to the 1933 Oil Dispute

During the mid-1920's, after the establishment of the Pahlavi state, there was increasing motivation within the Iranian government to establish a new agreement that would replace the D'Arcy concession in favor of a more equitable agreement.³⁷ Rather than pushing for such swift and radical

³³ Cullen, *The Evolution of Petroleum*, 22-23.

³⁴ Ford, *The Anglo-Iranian Oil Dispute*, 17.

³⁵ Mafi, "Iran's Concession Agreements," 409.

³⁶ Cullen, *The Evolution of Petroleum*, 24.

³⁷ *Ibid.*, 24-25.

reforms that could have been potentially problematic, Reza Shah initially made efforts to revise the agreements that had already been established. There was significant concern that as the D'Arcy concession (and the revisions from the Armitage-Smith Agreement) became increasingly profitable for APOC, Iran's resources were being unfairly exploited by the company and the influence of the British government. Additionally, the concession was at risk of losing its legitimacy as it was negotiated by an overthrown dynasty. As such, in 1928 Reza Shah declared the Armitage-Smith Agreement was invalid due to the fact it was negotiated by Ahmed Shah of the Qajar dynasty, and, most notably, the agreement was deemed as a modification of the original D'Arcy concession that had not been approved by the Majles, therefore it was illegitimate in the eyes of the Iranian government.³⁸ This could be viewed as a somewhat surprising move by Reza Shah as the Armitage-Smith Agreement had made significant efforts to alleviate some of the initial concerns of the Iranian government. It is likely that the Shah believed it would be far simpler to renegotiate from the terms of the original D'Arcy concession rather than having to revise a modified agreement that he viewed as inherently disadvantageous to Iran. The decision to cancel the Armitage-Smith Agreement can also be seen as a pointed statement to the United Kingdom. The Iranian government was focused on maintaining its sovereignty, as a powerful corporation backed by an even more powerful foreign government was making advances in the exploitation of its resources.³⁹ The priority in 1928, however, was to engage in discussions about Iran's agreement with APOC and the address the immediate violations of Iran's sovereignty.⁴⁰

The Iranian government's primary concern was that the Armitage-Smith Agreement had failed to resolve the means by which royalties were calculated. Iranians were unsettled by the fluctuations in royalties from year to year. This was, again, due to the fact that royalties were based on net profits rather than production or gross selling value.⁴¹ It was Reza Shah's goal to clarify for APOC that he felt Iran was being unfairly exploited for its resources, and it deserved a far greater share of the company's profits. The issues over the calculations of royalties would

³⁸ Mafi, "Iran's Concession Agreements," 409.

³⁹ "Oil Agreements in Iran."

⁴⁰ Ibid.

⁴¹ Ford, *The Anglo-Iranian Oil Dispute*, 17-18.

become increasingly problematic for both parties as a global economic recession had placed significant pressure on the oil industry.⁴² Widespread negative opinions toward APOC eventually led to discussions of a new agreement between Iran and the company. The discussions were primarily conducted between high-profile advisors to the Shah, such as Abd al-Hosayn Teymurtash and Sir John Cadman, chairman of APOC. It is noted that Cadman had expressed a necessity for the Iranians to feel as though they were benefiting from the concession while pursuing some form of resolution that would be of equal benefit to APOC and the United Kingdom.⁴³ This was the approach that was taken in 1928 when Cadman and Teymurtash set their goals on a “partnership principle” as the basis for their discussions. Though the advertisements of their discussions were somewhat unnecessarily romanticized, they were, in fact, successful. The goal was to organize an agreement in which the Iranian government would have a 25% stake in the company while receiving a fixed royalty per barrel of oil produced.⁴⁴

While talks were initially positive, a deteriorating global economy and the bankrupt status of the Iranian government, which was under immense domestic political pressure, led to a breakdown of discussions. This was largely due to a significant decrease in royalties to Iran from the previous year as a direct result of the global economy’s effect on APOC’s profits. The drop in royalties in 1932 was daunting to the Iranians, so much that Reza Shah had called for the immediate cancellation of the D’Arcy concession.⁴⁵ Reza Shah’s seemingly hasty decision could be regarded as a knee-jerk reaction to the shocking decrease in royalties, and it could also be seen as an effective attempt to skew renegotiations in favor of the Iranians by gaining leverage on APOC and the United Kingdom. It is likely that Reza Shah initiated the cancellation of the D’Arcy concession with the full intention of either obtaining a more equitable deal with APOC, or opening the door to nationalize the Iranian oil industry. While it is unlikely that the latter was Reza Shah’s priority, it credits the notion that nationalization of Iranian oil was not a new concept in the 1950’s.

The Lessons of International Conflict

⁴² Gregory Brew, “In Search of ‘Equitability’: Sir John Cadman, Reza Shah and the Cancellation of the D’Arcy Concession, 1928-33,” *Iranian Studies* (2016): 6.

⁴³ *Ibid.*, 6-7.

⁴⁴ Brew, “In Search of ‘Equitability,’” 8-12.

⁴⁵ Cullen, *The Evolution of Petroleum*, 25.

The cancellation of the D'Arcy concession was not a simple affair. APOC believed its agreements with the Iranian government were binding. This included the Armitage-Smith Agreement. The Iranian government, however, viewed the D'Arcy concession as an agreement that had been violated by the subjectively crooked manner in which APOC was calculating its royalties to Iran. In 1931, APOC paid nearly £1,000,000 in taxes to the United Kingdom while paying only £366,782 in royalties.⁴⁶ It was clear that Reza Shah felt it was within his authority to cancel the concession in the midst of Iran's economic troubles; however, the immediate aftermath of the cancellation of the D'Arcy concession was chaotic for both the Iranians and the British. In addition to APOC's refusal to accept the validity of Reza Shah's cancellation of the concession, the British government was outraged due to its vested interests in the company, and it sought to consult the League of Nations for arbitration on the matter.⁴⁷ This was the first major instance in which international conflict had developed between Iran and the United Kingdom from disputes related to the D'Arcy concession.

Engaging in a legal dispute between two states over a state-corporation conflict was likely uncharted territory in 1932. The League of Nations was still a fairly new concept at the time, and there was little precedent that could easily determine a resolution. The British were adamant that Iran's actions presented an existential threat to British national security and Iran could not simply turn away from its obligations.⁴⁸ This was a bold proclamation by the United Kingdom considering it was not an official part to the D'Arcy concession. The potential consequences of Reza Shah's decision to cancel the D'Arcy concession became evidently clear as the British government contemplated military intervention on the basis it was "necessary to protect British lives and property," and the British government even went as far as deploying warships into the Persian Gulf as tensions rose between both governments.⁴⁹ The conflict between the two nations would ultimately require a formal resolution through international courts.

As the dispute was brought before the Permanent Court of International Justice, both nations argued their case. Iran was convinced the case was a domestic affair between Iran and APOC, and that the British government

⁴⁶ "Anglo-Persian Oil Company."

⁴⁷ Brew, "In Search of 'Equitability,'" 12-13.

⁴⁸ "Anglo-Persian Oil Company."

⁴⁹ Ford, *The Anglo-Iranian Oil Dispute*, 17.

had no justification for dragging the dispute to the Court of International Justice.⁵⁰ Additionally, the representative for Iran argued that APOC had never sought an appeal to Iranian courts in order to resolve the dispute, but rather, it had allowed the United Kingdom to intervene in state-corporation affairs. Ultimately, the court ruled that it had no jurisdiction on the matter of state-corporate affairs, stating the United Kingdom was not party to the D'Arcy concession; this was essentially aligned with Iran's interpretation of the case, leaving the dispute as one that must be settled under the jurisdiction of Iranian courts and through the application of Iranian law.⁵¹

The conclusion of the 1932-1933 dispute allowed for the Iranian government and APOC to renew their discussions over a revised concession agreement that would be more fair and favorable to the Iranians. The message had already been sent that Iran had the jurisdiction to cancel any agreement that it deemed as unfairly exploitative or as a threat to its sovereignty and dominion over its own land and resources. It is likely, however, that Reza Shah was acutely aware of the lengths the British government would venture in order to secure its interests, and any further backlash against APOC could have had severe consequences for the Iran. 1933 brought about the development of a new concession that consisted of further compromise between Iran and APOC. The royalties based on 16% of net profits were discarded in favor of a set payment based on production and dividends paid to company shareholders.⁵² This was, again, an agreement with advantages and disadvantages for the Iranians, and there were further drawbacks such as the abolishment of Article 15 of the D'Arcy concession, which allowed the Iranian government to seize all assets of the company that remained in Iran once the concession had ended.⁵³ The success of the 1933 concession is subjective; however, it became clear in the 1950's through Mosaddegh's ascendance to political fame that the Iranians were dissatisfied by the outcome of Reza Shah's challenge to APOC.

Conclusion

It would be a mistake to simply deem Reza Shah as complacent to Iran's exploitation in the same manner as the Qajar state. It is clear Reza Shah used every legal tool he had access to in order to influence a more

⁵⁰ Ford, *The Anglo-Iranian Oil Dispute*, 17-18.

⁵¹ *Ibid.*, 17-18.

⁵² Cullen, *The Evolution of Petroleum*, 27.

⁵³ *Ibid.*.

preferable resolution to the disputes between Iran and APOC. Although the Pahlavi monarch had ascended to the throne via a promise of reforms through strength and the pursuit of Iranian interests, his legacy of challenging APOC and the United Kingdom is arguably tarnished by his failure to negotiate an equitable oil agreement that could adapt to Iran's needs and changes in the global economy.

Furthermore, the United Kingdom's challenge to Reza Shah's reforms, and its willingness to employ force as means of carrying out its interests, foreshadowed the consequences of Mohammad Mosaddegh's bid to nationalize Iranian oil. It is unlikely that Iran could have been in a scenario in which it could successfully nationalize its oil industry without facing severe backlash from those with vested interests in Iranian oil, regardless of the legality of nationalization. Nevertheless, there is no doubt that Reza Shah made a genuine effort to renegotiate Iran's relationship to APOC, and, perhaps, if he had been more methodical in his approach rather than canceling the D'Arcy concession in 1933, it may have been possible to reach an agreement that would be of acceptable benefit to APOC, the United Kingdom, and Iran.