

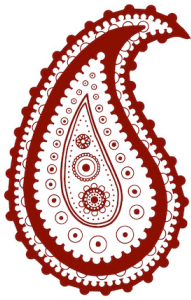
DĀNESH

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
College of International Studies
FARZANEH FAMILY CENTER
for IRANIAN and PERSIAN GULF STUDIES

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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

Iranian Oil Concessions of the Twentieth Century: Economic and Legal Agendas Surrounding the Anglo-Iranian Oil Company, 1901-1953

Corey Standley

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Deception is a fine craft, difficult to master and devious when applied. There has always been something uniquely deceptive about the way in which large, hegemonic powers of the West have approached and had dealings with less developed states, especially in regards to natural resources: Columbus with the Indians, Leopold with the Congolese, the British and the Anglo-Iranian Oil Company with the Iranians. Scattered across time, there are instances of deceit and subversion aimed at exploiting those with aspirations to reach a comparable level to the very power pushing them back down into the depths of civilization. The subject of this paper is the series of concession agreements made with various Iranian regimes in regards to the mineral rights in the oil-rich nation of Iran, the ways in which the British-owned Anglo-Iranian Oil Company would exert imperial strength, even as a technically private entity, and the ways in which it effected the economic and legal atmosphere in Iran from 1901 to 1953.

Specifically, the periods of the D'Arcy Concession, the 1933 Reza Shah Pahlavi renegotiation, the 1949-1952 Mohammed Mosaddeq nationalization period, and a glimpse into the 1952 International Court of Justice case, which all of the previous events led up to, will be examined in depth. These periods will show how fluid and continuous the strangle of

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the Iranian economy became, from originating as a way for rich foreigners to invest in infrastructure, to reclaiming oil fields worth hundreds of millions annually, and the lengths to which a company and a nation would go to preserve their grip over it all. A critical examination of this period may explain the current sentiments of the scarred Iranian nation toward those imperialist Western nations who precipitated the scars.

Humble Concession Origins

The origins of Iran's twentieth century economic history were closely tied to the Bolshevik Revolution in Russia of 1917. In the century leading up to the Red Revolt, the Russians had taken large swathes of land in the Caucasus areas that bordered the Qajar-led Iranian state. With the imperialist Russians inching ever-closer from the north through raiding parties engaging in skirmishes, the Iranian government had little choice but to accept hostile concessions that created a forced dependency on a Russian export market.¹ This meant that with additional British incursions from the Indian southeast, the partition of Iran was a serious threat in the period between the Constitutional Revolution in 1905 and the Russian Revolution in 1917.² Suffice to say, Russian-Iranian relations were not the most friendly during this period. However, that did not mean that they did not engage with each other; let it not be forgotten that this was occurring at roughly the same time as the Qajar/ Oluma-backed Russian invasion in 1911 that ended the Constitutional Revolution.³ In all, Iran was teetering precariously on the edge of obscurity.

The nature in which the Qajar government conducted itself with regards to foreign investors throughout the nineteenth century must also be examined. Desperate to join the modern world, the Iranian government was prepared to give individuals, such as Baron Julius von Reuter, basic monopolies over all major industries: such as rail, telegram, post, banking, and mineral rights.⁴ The understanding was that when investors built these vast infrastructures, the Iranian people would benefit from having access to more industries and would receive the added economic stimulus of such large projects occurring in their own territory. However, the every-day

¹ Hadi Salehi Esfahani and M. Hashem Pesaran, "Iranian Economy in the Twentieth Century: A Global Perspective," *Iranian Studies* 42 (2008): 4.

² Nikki R. Keddie, *Modern Iran: Roots and Results of Revolution* (New Haven: Yale University Press, 2006), 71.

³ *Ibid.*, 71.

⁴ Keddie, *Modern Iran*, 54-55.

Iranian was not happy with these types of deals, and in the end they crumbled due to the lack of popular support sometimes led by flat-out revolts.⁵ These failed earlier agreements set the stage for the one major concession that had sticking power—the concession endowed to William D’Arcy. The habit of Qajar Shahs giving away seemingly egregious amounts of resources and territory in the hopes that it will trickle down, has had lasting impacts on Iranian economics, politics, and culture.⁶

In the end, the Communist Revolution, along with the discovery of rich oil fields in Iran, aided in the loosening of Russian handcuffs on the Iranian economy; however, as history shows, one imperial power’s exit will always lead to another’s entrance.

In 1901, London-based playboy, lawyer, and investor William D’Arcy was able to land a concession agreement with the Iranian government. The agreement stated that for sixty years D’Arcy and his to-be-formed exploration company would maintain the sole rights for oil exploration in all but ten northern Iranian provinces, while in return the Iranian government received roughly sixteen percent of the total profits as royalties derived from these findings.⁷ Even better for D’Arcy, according to Article 7 of the concession he and his exploration group were granted exemptions for any import tax on equipment brought in, while Article 5 stated the group had exclusive rights on the laying and coursing of pipes.⁸ This meant that not only was D’Arcy getting the initial access to all of this land and oil, but he was also able to do it for cut-price; all the while maintaining significant autonomy during mining, transporting, and refining operations. However, things seemed to be worse for the Iranians after a deeper analysis of the concession deal. Article 11 goes on to create an Imperial Commissionaire, intended to keep Iran in the deal at least on the superficial level while also maintaining a position where the commissionaire held almost absolute power over the sovereign Iranian monarchy. The article reads as,

The said Government shall be free to appoint an Imperial Commissioner who shall be consulted by the Concessionaire and of the first Company the

⁵ Ibid., 56-57, 60-63.

⁶ Ibid., 34, 36, 56.

⁷ Anglo-Persian Oil Company, *Agreement of 28th May, 1901 (the D’Arcy Concession) between, the government of His Imperial Majesty the Shah of Persia ad William Knox D’Arcy*, <https://hdl.handle.net/2027/njp.32101072922352>.

Accessed January 19, 2017.

⁸ Anglo-Persian Oil Company *Agreement of 28th May, 1901*, 2.

Directors of the Companies to be formed. He shall supply all and any useful information at his disposal and he shall inform them of the best course to be adopted in the interest of the under taking. He shall establish by agreement with the Concessionaire such supervision as he may deem expedient to safeguard the interests of the Imperial Government.⁹ This was one of the clearest indications that this concession was meant to exploit Iran's inability to retaliate, setting an early precedent of power and control over the Iranian monarchy and state.

D'Arcy became an even wealthier man in 1908 when oil was found in Masjid Suleiman, a city in southern Iran. To put the scope of this oil field into perspective, it would eventually host the world's largest oil refinery in the Abadan refinery on the coast of the Persian Gulf.¹⁰ The British government took notice as D'Arcy began to rake in the riches. By 1905, D'Arcy had grown anxious and sold his majority share to the Burma Oil Company with whom he had become partners.¹¹ Upon seeing returns on the 1908 Masjid Suleiman site, in 1909 Burma Oil splintered off a new publically traded company to control operations in Persia, known as the Anglo-Persian Oil Company, which eventually became the Anglo-Iranian Oil Company (AIOC).¹² As the profits continued to grow, the Royal British Government decided to buy a fifty-one percent controlling stake in the AIOC and assume control over operations in the region.¹³ This was strongly influenced by the fact that in 1912 the Royal British Navy switched from coal to oil power.¹⁴ At this point, Britain still maintained one of the largest Navies in the world, and consequently with The Great War beginning in 1914, there was soon a very large dependence on oil in the British Sphere. The might of a government-controlled AIOC, and trillions in untapped crude oil, created an Iranian economic climate ripe for boom once unshackled from the regressive imperialistic agreements

⁹ Ibid., 3.

¹⁰ Neveen Abdelrehim, Josephine Maltby, and Steven Toms, "Corporate Social Responsibility and Corporate Control: The Anglo-Iranian Oil Company, 1933-1951," *Enterprise & Society* 12 (2011): 833.

¹¹ Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: Free Press), 125-26.

¹² Ibid., 119.

¹³ Neveen Abdelrehim, Josephine Maltby, and Steven Toms, "Accounting for Power and Control: The Anglo – Iranian Oil Nationalization of 1951" *Critical Perspectives on Accounting* 23 (2012): 596.

¹⁴ Keddie, *Modern Iran*, 72.

formerly in place. Russia, as mentioned, was Iran's primary export market. With the Russians now subdued on the international stage and preoccupied with internal conflict, whom would the Iranians export to now?

Eventually, the profits flowing to and from Russia became dwarfed by the might of the Iranian oil export market—a market that would span the globe.¹⁵ Rather than have a relatively forced dependency on one or two nations, the AIOC used Iran as a platform to provide vital oil in the coming World Wars to Britain and other allied nations, while also drawing in massive profits. To this end, Winston Churchill proclaimed in 1959, that the AIOC was a “great enterprise contributing to the national prosperity in peace and our safety in war.”¹⁶ Iran was once again a hub for the global market as it was in the glorious days of the Safavid Dynasty, when it was the linchpin of the Silk Road. The AIOC played a key role in revitalizing the Iranian economy in the early twentieth century, however the costs of such one-sided agreements would soon show themselves.

A Pahlavi Reassessment and Nationalistic Origins

The first true challenge to the British hegemonic rule over Iranian oil occurred in the Pahlavi period from roughly 1921-1941. In 1921, a former Cossack by the adopted name Reza Shah Pahlavi led a coup against the Qajar prince Ahmad Shah. Reza Shah marched on Tehran with a band of co-conspirators and arrested various officials and bureaucrats; by 1923 he was the Prime Minister of Iran.¹⁷ During this period, Reza Shah saw it fit that Iran's dependence on the United Kingdom in terms of oil production was ill-founded, and ordered that new avenues be approached. This spurred on an attempt to create a second, and crucially independent, concession agreement with the Americans. After Iran successfully staved off a claim on an old pre-revolution Russian concession to oil in the North, they openly invited the U.S. to participate in exploring the region.¹⁸ However, due to America and Britain's relationship, they eventually pulled out after British pressure was applied to the American companies seeking involvement. The departure of the American businesses left the Iranians and Reza Shah stuck with the AIOC.¹⁹

¹⁵ Esfahani and Pesaran, “Iranian Economy in the Twentieth Century,” 5.

¹⁶ Abdelrehim, Maltby, and Toms, “Corporate Social Responsibility,” 833.

¹⁷ Keddie, *Modern Iran*, 80-85.

¹⁸ F. Kazemi, “Anglo-Persian Oil Company,” *Encyclopedia Iranica*, No. 1 (December 1895): 63.

¹⁹ Keddie, *Modern Iran*, 84-85.

Since the AIOC was generating great quantities of both raw and finished material, the Iranian government under the new Pahlavi rule wanted a more well-defined and inclusive chunk of the revenue. The 1901 agreement's "16% of annual net profit royalties" was ambiguous regarding what these royalties included; in reality, the amount of agreed royalties that the AIOC paid to the Iranian government was closer to eight percent.²⁰ Due to this discrepancy, the two parties formally canceled the 1901 D'Arcy Agreement in November of 1932.²¹ A reformed agreement was drawn up and signed by 1933, and this revised concession seemed to be a major coup for the new Pahlavi government, as well as the British AIOC. Most importantly, it guaranteed a more clearly defined royalty percentage that was closer to fifteen percent.²² These new royalties were calculated by a combination of "a fixed sum of 4s per [British] ton, a guaranteed twenty percent of worldwide profits above a fixed level and a minimum payment of 750,000 [British Pounds]." Importantly, and something that will be explored further below, this new agreement promised the implementation of a process known as 'Iranianisation,' whereby more Iranian workers and administrators would gradually be introduced into the AIOC's overall operation.²³

The international community was very impressed with the Shah's ability to secure so many favorable conditions for his nation, and company leaders were far more comfortable with the new agreement. They felt that this new agreement was more solid, since it provided fewer loopholes for the Iranian government to try and pursue another restructuring, as Iran could no longer dispute the calculations of royalties and everything else was fixed lump sums.²⁴

Of course, all that glitters is not gold. The agreement that seemed so generous to the Iranian people had one fatal flaw— it was not constructed in a way that allowed royalties to rise in hand with the global price of oil.²⁵

²⁰ Esfahani and Pesaran, "Iranian Economy in the Twentieth Century," 5.

²¹ Katayoun Shafiee, "A Petro-Formula and its World: Calculating Profits, Labour and Production in the Assembling of Anglo-Iranian Oil," *Economy and Society* 41 (2012): 589.

²² *Ibid.*, 5.

²³ Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 833.

²⁴ Gregory Brew, "In Search of "Equitability": Sir John Cadman, Reza Shah and the Cancellation of the D'Arcy Concession, 1928-33," *Iranian Studies* 49 (2016): 15.

²⁵ Esfahani and Pesaran, "Iranian Economy in the Twentieth Century," 5.

Consequently, Iran suffered when World War II began and the British Pound depreciated. This was a particular slap in the face as in 1941 the Allies invaded and occupied Iran in an effort to create an “Iranian Corridor”; an occupation that led to Reza Shah, the British darling of the twenties, abdicating the throne to his young and inexperienced son—Mohammad Reza Shah. Thus renewed the cries of nationalism thought quashed by the 1911 coalition.²⁶ lead to a discussion about oil rights and eventually a want to nationalize the industry. Iranians were disillusioned by these imperialistic agreements and wanted real change implemented. Enter Mohammad Mosaddeq.

Mosaddeq was a nationalist forged in the fires of the constitutional movement in the early twentieth century.²⁷ He was a leader among the Popular Movement Party, established after the fall of Reza Shah, whose primary goal was to “establish and extend constitutional and democratic government” throughout Iranian government and society.²⁸ But not everyone wanted to restore democracy— he fought long and hard against the communist Tudeh party as well as strong political forces from the right.²⁹ Eventually, forces from the right would have their way as he was unlawfully overthrown in the mid-1940’s, but by 1951 was once again re-established to his post as Prime Minister.³⁰

At his return, Mosaddeq and his National Front party were convinced that consolidating Iranian resources was the first step to a more unified and democratic Iran.³¹ In a time where it was difficult to come by a regime that lasted longer than six months, the Iranian people saw Mosaddeq as a champion of the democratic and anti-imperialist movement.

Of course, the most prominent resource targeted in Iran was the oil industry. By 1949, the AIOC controlled an astonishing 27.25 million English tons of oil extracted from Iran’s soil— soil that held the world’s third largest oil reserves.³² Just like in 1932-1933, Iranians saw the massive

²⁶ Keddie, *Modern Iran*, 105-107.

²⁷ Ali Gheissari and Vali Nasr, *Democracy in Iran: History and the Quest for Liberty* (Oxford: Oxford University Press, 2006): 48.

²⁸ Mark J. Gasiorowski and Malcom Byrne, *Mohammad Mosaddeq and the 1953 Coup in Iran* (New York: Syracuse University Press, 2004): 4-5.

²⁹ *Ibid.*, 47-48.

³⁰ Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 834; Gheissari and Nasr *Democracy in Iran*, 48-49.

³¹ Gasiorowski and Byrne, *Mohammad Mosaddeq*, 5.

³² Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 832.

share of oil being produced by their country and felt it was an unfair situation given the stagnation of profits received by Iran compared to that shared by holders of the AIOC. It also did not help that the value of oil rose year-by-year up until 1953.³³ Couple this with the fact that when Iranians saw America and Saudi Arabia strike a fifty-fifty bargain in 1950 and attempts to reach a similar deal with the AIOC resulted in it turning up its proverbial nose—the nationalistic frustrations Mosaddeq was bringing to a head were understandable.³⁴

By now, the AIOC was generating massive profits, was seldom taxed, and provided a moderate to low level of compensation to Iran for mineral and production rights. Due to the growing disdain after the news of ARMCO's fifty-fifty split, the AIOC had to do something to appease the Iranian populace. In their efforts to stifle Iranian contempt and keep them indulgent to the reworked 1933 agreement, the AIOC began to invest heavily in infrastructure.³⁵ They built over two thousand houses and nearly eighty ancillary buildings just in 1949, citing a commitment to building a relationship with not only the government of Iran, but the non-skilled workers in the fields and refineries as well.³⁶ In addition to these investments, the AIOC also invested heavily in education and technical training at institutions such as the University of Tehran.³⁷ From an outsider's perspective, it seemed as though the AIOC was doing all the right things in order to both have their cake and eat it too.

Cracks began to form. Most of the new housing developments were for foreign workers from England, and many of the hospitals and schools were reserved specifically for their use, for the sake of "British Prestige".³⁸ This reinforced Britain's colonialist approach towards their stewardship of less developed or established nations, and again left the Iranian populace in a dissatisfied position. As a practical example, in an internal report filed in 1950, AIOC chairman William Fraser referred to Iranians 124 times merely as "employees," while British workers had the higher distinction of "staff."³⁹ This hierarchical and spatial segregation was well documented

³³ Esfahani and Pesaran, "Iranian Economy in the Twentieth Century," 14.

³⁴ Edward Henniker, "Nationalization: The Anglo – Iranian Oil Company, 1951: Britain vs. Iran," *Moral Cents* 2 (2013): 9.

³⁵ Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 837-44.

³⁶ *Ibid.*, 844.

³⁷ *Ibid.*, 837.

³⁸ *Ibid.*, 848.

³⁹ AIOC, *Annual Report and Accounts* (1950): 12, 28.

throughout private correspondence, and was proof that AIOC management was less concerned about the social benefits awarded by philanthropic endeavors and more so the social control it granted them in Iran.⁴⁰ To cap it all off, one AIOC executive admitted that, “The Company organized and conducted its operations without much thought to Iranian ideals and customs, and based everything on its own usage and standpoint.”⁴¹ In all, it became clear that the primary reasons for the process of Iranianisation had been corrupted by AIOC management in order to further their own monetary gains through social control, and also used the concept of Iranianisation to resist challenges in wider negotiations.⁴² However, Mosaddeq had begun to see through the charade.

Nationalization and International Court of Justice Proceedings

By 1947, the Iranian nationalization movement was reaching critical mass. In an effort to stifle change the AIOC proposed a provisional reform to the agreement in 1947 that was so unpopular it was mired in the Majles for months and shot down by 1949.⁴³ The Iranian people were displeased that American corporations were offering fifty-fifty splits, and when the AIOC would not come near that they decided it was not worth their time and an easier solution would be nationalization.⁴⁴ By Mosaddeq’s reinstatement in 1951, the nationalization sentiment had grown so much that when the United Kingdom offered a fifty-fifty split of profits; it was met by a wave of moderates who now favored nationalization due to the stubbornness of the British government.⁴⁵ At this point, even Truman’s administration in America began to believe that it was time for the AIOC to begin sharing profits.⁴⁶

The Majles passed nationalization legislation in 1951 and put it into effect by 1952.⁴⁷ The British were in full disarray as they felt that conceding to Iran’s oil nationalization would set a dangerous precedent in other principalities— should a state feel overly oppressed by British rule

⁴⁰ Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 847.

⁴¹ AIOC, *Annual Report and Accounts* (1950): 849.

⁴² *Ibid.*, 850.

⁴³ Keddie, *Modern Iran*, 124.

⁴⁴ *Ibid.*, 124-25.

⁴⁵ *Ibid.*, 124.

⁴⁶ Henniker, “Nationalization: The Anglo – Iranian Oil Company, 1951: Britain vs. Iran,” 24.

⁴⁷ Keddie, *Modern Iran*, 124.

they may just, “abrogate British concessions.”⁴⁸ Incidentally, just five days after the nationalization legislation passed the AIOC imposed, “immediate reductions in wages, travel, and accommodation allowances on the grounds that rents and prices had fallen,” which meant that by April of 1951, “45,000 employees were on strike, martial law had been imposed, and...three Europeans were lynched.”⁴⁹ However, this was just the beginning of British opposition to the nationalization of Iran’s oil.

One of the first actions the British government took was submitting a formal complaint to the newly created International Court of Justice (ICJ). On July 5th 1951, the United Kingdom brought forth a document bearing grievances against the Iranian government, arguing that Iran had reneged on multiple treaties signed throughout the twentieth century.⁵⁰ The court initially accepted a hearing in order to determine to what extent they had jurisdiction over the case and what could be done in the meanwhile. Ultimately the hearing culminated in the United Kingdom’s presentation of a request for interim measures. Such measures included the continuation of the AIOC running operations rather than the Iranian government, the prevention of any seizures by the Iranian government of AIOC properties, repayment of royalties by Iran should they continue to maintain possession of AIOC production and property, and the abstention of further propaganda distribution regarding public opinion of the AIOC.⁵¹ Iran rebutted that the ICJ had no jurisdiction over the case, as it, “hopes that the Court will declare that the case is not within its jurisdiction because of the legal incompetence of the complaint and because of the fact that exercise of the right of sovereignty is not subject to complaint.”⁵² Further, they asserted that because of this sovereignty and the fact the concession agreement never mentioned the United Kingdom in any capacity, there was no argument to be made that they were in an inter-state dispute.⁵³ Thus, Iran

⁴⁸ Abdelrehim, Maltby, and Toms, “Corporate Social Responsibility,” 827.

⁴⁹ *Ibid.*, 835.

⁵⁰ International Court of Justice, “Anglo-Iranian Oil Co. Case (United Kingdom v. Iran), Order of July 5th,” I.C.J. Reports 1951, ICJ-2013. The Hague, Netherlands, 1951, 89.

⁵¹ International Court of Justice, “Section B. Request for the Indication of Interim Measures of Protection,” ICJ-8983. The Hague, Netherlands, 1951, 90-91.

⁵² *Ibid.*, 92.

⁵³ Henri Rolin, “The International Court of Justice and Domestic Jurisdiction: Notes on the Anglo-Iranian Case,” *International Organization* 8 (February 1954): 37.

made it clear they would not willingly accept the interim measures or the jurisdiction of the Court in this instance.

By the end of the first round of litigation, the ICJ determined that a number of interim measures were to be put in place to add law and order to the proceedings. These were relatively mild actions, such as ensuring there was no aggravation or prejudicing of rights done by either party. However, there were two sticking points that created stress between the two nations. First, the Court indicated that all operations should continue as they had before the nationalization legislation came into effect— including the reinstatement of British workers into their former positions. Second, that there should be a “Board of Supervision” established containing two members from each party and one from a third party to ensure these practices were carried out in full. The board was intended to ensure the company was able to continue production in the interim while complying with the rest of the Court’s measures.⁵⁴ These requirements led to some amount of friction, as both parties attempted to impose their will on the oil company and the direction of revenue and production.

However, not all of the justices agreed with this decision. In their dissenting opinion, Judges Winiarski and Pasha cited the “Case concerning the Electric Company of Sofia and Bulgaria (in 1939)” where Bulgaria objected to the jurisdiction of the Court and the Court allowed this objection.⁵⁵ They argued that because Iran rejected the jurisdiction of the Court, no measures should be taken until either party brings forth substantial evidence that the Court does indeed have jurisdiction.⁵⁶ By this regard, Mosaddeq and his National Front were convinced the action of nationalization was fully covered by a state’s right to sovereignty.

The British made a fatal mistake during these proceedings. In order to not close a door they may need to use in the future, the British government did not deny the principle of nationalization was within the sovereign rights of a state. They attempted to make an argument that this case was different by stating there was a treaty agreed upon by the two parties. However, as mentioned earlier, the United Kingdom was not formally part of this agreement, only the company in which they owned a majority of the shares. To make matters worse, due to its nature as a concession

⁵⁴ *Ibid.*, 94.

⁵⁵ International Court of Justice, “Dissenting Opinion of Judges Winiarski and Badawi Pasha,” ICJ- 2015. The Hague, Netherlands, 1951, 96-98.

⁵⁶ *Ibid.*, 96-98.

agreement, the ICJ did not recognize the legitimacy of said “treaty.”⁵⁷ This spurred the British into a mode of desperation, causing them to approach the UN Security Council on September 28, 1951 asking for their intervention, claiming the expulsion of British national workers was in direct violation of the Court’s interim measures.⁵⁸ Again, Mosaddeq argued this was a dispute between a nation and private company, which was a compelling enough argument to stave off a decision until after the ICJ could release their findings, by which time it would have been too late for the United Kingdom.⁵⁹

On July 22, 1952, the ICJ released their judgment that after reading deeper into the laws regarding treaty and concession disputes, they regarded only the former in the jurisdiction of the Court.⁶⁰ Due to the lack of evidence presented by the British delegation that this was a treaty and not a concession, the Court came to the conclusion it lacked jurisdiction on the matter.⁶¹ The case indicated there was hope for post-colonial nations to reclaim their resources and undermined what little global power and authority the United Kingdom had after the Second World War. The Iranians felt they had achieved the ultimate victory, as they proved to the colonial British powers the international community recognized their right to control the minerals in their own land. However, the British had not exhausted all avenues of action.

Bringing Down Mosaddeq and the Iranian Oil Consortium

For Britain, the next step after taking the case to the ICJ was to impose not only an embargo on Iranian oil, but also on most of Iran’s exported goods. However, the real issue for Iran was that the United States, and most other large oil producing and consuming nations, agreed with this embargo. The most aggressive example of this stance was a physical gunboat blockade established by the AIOC in the Persian Gulf.⁶² As Britain was the primary export market for Iran at this point, a newly nationalized AIOC with few skilled administrators and engineers meant Iran was producing oil— their main export— well below capacity. Because of this,

⁵⁷ Rolin, “The International Court of Justice,” 43.

⁵⁸ Kazemi, “Anglo-Persian Oil Company,” 64.

⁵⁹ Ibid., 65.

⁶⁰ International Court of Justice, “*Anglo – Iranian Oil Case (Preliminary Objection): Judgment of 22 July 1952*,” The Hague, Netherland 1952, 24-25.

⁶¹ Ibid., 25.

⁶² Keddie, *Modern Iran*, 124.

Mosaddeq approached the United States with the impression they would remain a neutral party and purchase oil from Iran. However, this was not the case. In reality, President Eisenhower and his administration were wary of Mosaddeq and his hardline approach to negotiations, and therefore decided to join the embargo until Mosaddeq caved in some capacity.⁶³ This foreshadowed a growing animosity towards the United States as Iran expected such treatment from Britain, but were under the impression that the United States was a much more fair and neutral party.⁶⁴ The combination of all of these acts led to a severe decline in the Iranian economy, and in turn increased tensions among the various political sects in Iran. In the oil industry, the lack of competent administrators and engineers able to tend to the refineries and well sites meant the embargo was all the more effective.⁶⁵

By 1953, the Iranian economy and social structure was in full-blown crisis, as the devastating effects of the embargo made many groups aligned with the National Front coalition rethink their position.⁶⁶ High-ranking officials within the military, police force, clerics, and communists all began to feel as though Mosaddeq's foreign policy, however pure idealistically, was getting them into hot water that would alienate them from an emerging global economy. This eventually led to the Shah's attempt to replace him as Prime Minister— a replacement that did not last long. Not even a year had passed and there was such a great sentiment to have Mosaddeq at the helm that he was reinstated, reiterating the Iranian people's conviction to the cause of nationalization.⁶⁷ This was the catalyst to a crucial political realignment, as Mosaddeq went all-in and the opposing coalition's cards were simply better. In 1953, this new coalition of realists in Iran would align with the American and British intelligence community, who orchestrated an August coup d'état to depose Mosaddeq, thus ending the short reign of a nationalized oil industry.⁶⁸

As Mohammad Reza Shah was once again the monarch in the revitalized Pahlavi state, one of his first actions was to instate a new Prime

⁶³ Ibid., 125.

⁶⁴ Ibid., 126.

⁶⁵ Abdelrehim, Maltby, and Toms, "Corporate Social Responsibility," 852.

⁶⁶ Gheissari and Nasr, *Democracy in Iran*, 53.

⁶⁷ Keddie, *Modern Iran*, 126.

⁶⁸ Ibid., 128.

Minister, Fazlollah Zahedi⁶⁹. By 1953, the Shah resumed diplomatic relations with Great Britain in an attempt to get the Iranian oil machine running once again. However, in order to satisfy the still-rabid nationalists, he devised a plan where the AIOC would no longer have sole rule over Iranian oil, but would rather be part of an international consortium popularly known as the Seven Sisters.⁷⁰ This consortium was comprised of the AIOC, Royal Dutch/Shell, Standard Oil of New Jersey, Standard Oil of California, the Socony-Vacuum Company, the Texas Company, and the Gulf Oil Company. The primary goal of the U.S. companies was surprisingly not profit, but instead to ensure that global prices would not fluctuate with Iran's reintroduction to the market. While the Iranian oil embargo was still in place, the U.S. and other European companies aimed to create a stable and profitable market for all parties involved, as the massive Iranian market coming back so quickly could have led to a global market collapse.⁷¹

Establishing the consortium was difficult, as there were disputes over how the companies would divide the ownership and production of Iranian oil. The AIOC and the British government insisted they have no less than fifty-one percent of combined assets, when also accounting for their shares of ownership in Shell, while the Americans felt this would destabilize any legitimacy the consortium had in the eyes of Iranian nationalists. Eventually, the parties agreed that the AIOC and the group of U.S. companies would each hold forty percent, while the remaining twenty percent would be split between Shell and a small French company owned primarily by the AIOC.⁷² This split was beneficial to almost all parties as it shared profits evenly among the Western oil companies while allowing Iran to maintain some semblance of a nationalized oil sector, as these companies were technically "contracted entities" of the National Iranian Oil Company.⁷³

⁶⁹ Mary Ann Heiss, "The United States, Great Britain, and the Creation of the Iranian Oil Consortium, 1953-1954," *The International History Review* 16 (August 1994): 513.

⁷⁰ Kazemi, "Anglo-Persian Oil Company," 61-65.

⁷¹ Heiss, "The United States," 515.

⁷² *Ibid.*, 518-521.

⁷³ Homayoun Mafi "Iran's Concession Agreements and the Role of the National Iranian Oil Company: Economic Development and Sovereign Immunity," *Natural Resources Journal* 48 (Spring 2008): 411-412.

After the agreement, the Western powers were still the proprietary producers and extractors of Iranian oil, as without their capital and skills the Iranian government and its people did not have the means to successfully produce and market their resource. Ultimately this deal returned Iranians to a lower position of reliance just as before the nationalization movements began. The consortium would last until oil was re-nationalized during the 1979 Islamic Revolution, by which point the AIOC would rename itself the British Petroleum Company (later shortened to BP).⁷⁴

Interestingly, a relatively unnoticed result of the coup was that Iranian credit had gone up, as the powerful Americans and British deemed the new regime friendlier. This elevated status led to a rise in private sector credit lines by 46, 61, and 32 percentage points in 1957, 1958, and 1959 respectively.⁷⁵ However, the price of oil steadily declined after the coup, eventually leading to a negative trend caused by an increase in tonnage available on the market, most likely due to even higher levels of production in Iran post-Mosaddeq. There was hope as the export of non-oil goods began to rise after Mosaddeq's fall.⁷⁶ In all, Mosaddeq's removal signaled a revision against nationalization and a continuance of concession agreements with imperialist powers, leading only to the strengthening of global oil giants and Western powers even in the post-imperialism era.

Conclusion

The brief history of Iranian oil through the AIOC years is bookended by imperial powers using economic and military might to strong arm Iran into less than prosperous agreements, which ultimately benefitted these stronger powers and allowed them to continue to grow in might. Oil's influence on Iran's internal and foreign affairs in the twentieth century was strong, as so many during this period were dependent on employment through the AIOC. The imperialism Iran experienced began with humble origins, evolved when Reza Shah emerged, and came to a head when Mosaddeq nationalized the oil industry and the International Court of Justice, along with every other major player in the oil market, became involved. Ultimately Reza Shah, Mosaddeq, and Iran as a whole challenged the status quo that small resource rich countries were not beholden to imperialistic Western powers. While they failed by most measurements,

⁷⁴ Kazemi, "Anglo-Persian Oil Company," 65.

⁷⁵ Esfahani, Pesaran, "Iranian Economy in the Twentieth Century," 6.

⁷⁶ *Ibid.*, 14.

their actions planted the seeds for massive changes in Anglo-Iranian and American-Iranian relations in the future and the ways in which Iranian oil is discussed.