

# Iran and Britain: The Politics of Oil and Coup D'état before the Fall of Reza Shah

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MAYSAM BEHRAVESH, NOV 9 2010

This article is the first of a two part series. The second part, *Iran and Britain: The Politics of Oil and Coup D'état after the Fall of Reza Shah*, can be found here

With the outbreak of the Great War in 1914 between Central and Entente Powers, Britain faced new challenges concerning its foreign alliances, homeland security and wide interests overseas. Some of the British politicians had made it clear in a letter to Asquith, the then British Prime Minister, that 'any hesitation in now supporting France and Russia would be fatal to the honour and to the future security of the United Kingdom'.<sup>[1]</sup> The discovery of oil in early 1900s and the ensuing establishment of Anglo-Persian Oil Company in 1909, added to the strategic significance of Iran in the eye of Britain. The British strategy in the Middle East was to a great extent influenced by its sustained effort to prevent any adversarial penetration into the Persian Gulf first to defend its 'position athwart the principal lines of communication and supply between Britain and British India' and then protect the newly discovered Persian oil, that was used to power the Royal Navy and further its war campaign, from falling into alien hands.<sup>[2]</sup> According to Lord Curzon, 'I should regard the concession of a port upon the Persian Gulf to Russia, by any power, as a deliberate insult to Great Britain and as a wanton rupture of the status quo, and as an international provocation to war'.<sup>[3]</sup> By that time, Britain had lost all its popularity with the Iranian public opinion as well as any status of decency in some decision-making circles belonging to the high corridors of power. 'Some of the emergent Iranian policy makers', argues Ramazani, 'were so intense in their hatred of Great Britain and Russia that they could only adopt a policy of neutrality as a façade behind which flirtation and even secret agreement with Germany might take place'.<sup>[4]</sup>

The Bolshevik Revolution of 1917 which had drawn Russia's attention to the turmoil within its borders coupled with the dissolution of Ottoman Empire presented Britain with an unprecedented opportunity to project maximum power in the region without having to worry about rival reactions, and assume full control over Iran and its precious oil fields. Along this line, it concluded the Anglo-Persian Agreement with the pro-British government of Hassan Vosouq al-Dawleh in 1919. From the British standpoint, another chief purpose of the treaty was to enhance Iran's security and defence capabilities and empower it into a more reliable buffer state between India and European powers.<sup>[5]</sup> The Iranian government which had long become dependent upon the financial and political assistance of the British viewed the agreement as a convenient means that could help it crush widespread dissent and restore the lost status-quo order at home. Hailed as a 'diplomatic masterpiece and a great triumph' by Lord Curzon, the arrangement required Britain to supervise Iranian military, administration and economy by providing the government with military advisers and administrative experts and renovating its economic infrastructure. The sole formidable obstacle in the path of the treaty implementation was the constitutional requirement for its approval by the National Assembly, which finally rejected it on nationalist grounds; a measure that saved the country from turning into 'a virtual British protectorate'.<sup>[6]</sup>

In fact, there are differing views of the Vosouq government's close relationship with Britain and its embrace of British engagement in Iran's domestic politics. Gheissari and Nasr, for example, argue, in contrast to the majority of Iranian observers who consider Vosouq as a British puppet, that he 'was not a mouthpiece for British interests' and entertained a certain sense of nationalism whereby Iran's national interests then would be secured better by lying in line with foreign, in this case British, interests. This encouraged him to hope that the Anglo-Iranian Agreement of

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1919 'would lead to large-scale British infrastructure and economic interests in Iran'. This was also a type of nationalist reasoning that, as Gheissari and Nasr indicate, underpinned the later Mohammad Reza Shah's pro-Western policies.[7] It should also be added that the agreement was opposed by other foreign powers, particularly France and the US, as they saw it a near monopoly which could deprive them of any share of the new-found oil wealth in the country.

Since the discovery of oil in 1908 by D'Arcy's oil exploration company, and especially after the end of World War One in 1918, until the start of Mosaddeq premiership in 1951, the bulk of British imperial struggle in Iran was orientated by 'oil politics'; a concerted effort to secure as large a share of the petroleum output as possible through a vast range of conciliatory and coercive mechanisms from extracting concessions and deploying military forces to mounting coups and helping to install puppet/proxy governments.[8] The first in a series of attempts by the British government to officially, however secretly, monopolise the exploitation and production of Iranian oil fields in the South was the establishment in 1909 of Anglo-Persian Oil Company.[9] As the Iranian government at the time lacked the necessary expertise, capital and facilities to tap oil fields within the Iranian territory, the concession appeared to some extent natural, however it generated in later stages the outrage of Iranian oil nationalists who viewed the terms under which the company operated to Iran's substantial economic and political disadvantage.

The foundation of Pahlavi reign in Iran in 1925 constituted, in spite of what some Iranian conspiracy theorists have dubbed as the period of 'unrivalled English dominance'[10], the initiation of a critical and difficult era for the British oil enterprises in the country. The bloodless coup of 1921 that toppled Ahmad Shah and finally put Reza Khan on the throne of Iran was orchestrated, among others, by Seyyed Zia al-Din Tabatabai, a pro-British journalist, and encouraged by General Ironside, the commander of British military forces in Iran. Differing accounts of the degree of British involvement in the February 1921 coup that effectively brought Qajar rule to an end have been presented by historians. Sabahi maintains that H. Norman, the then British Minister in Iran, 'and the Legation, as well as the Foreign Office and the War Office were completely in the dark about the planned coup'.[11] Others such as Ghani and Cronin have observed that the British served as an encouraging or inspiring force behind the coup.[12] Majd, however, argues by drawing particularly upon relevant historical letters and reports provided by American diplomats, that '[a]t least from the middle of 1920, the British had made preparations for the coup', and that "it was a completely British undertaking'. He cites a dispatch from John Lawrence Caldwell, the American Minister in Tehran on 26 February 1921 that directly ascribes the coup to the British:

*It is perfectly apparent that the whole movement is of British origin and support, in furtherance of the scheme of forceful control of the country, its people and resources, and is looked upon with horror and deep indignation by the better class of Persians, who see in it but another and perhaps final attempt to compel them by coercion and corruption to accept a policy of undesired advisers operating through native tools.[13]*

Britain was the first government which recognized Reza Khan as the head of new Iranian state. Though assuming absolute power with the assistance of the British government, Reza Shah, galvanized by paternalist-nationalist sentiments[14] and determined to implement his modernization plans, strived to lessen foreign interference in Iran's legal, political and economic sectors. As a consequence and in the wake of heated political negotiations and controversies, all existing British capitulations were declared null and void in 1928, the D'Arcy concession of 1901 was cancelled in 1932 by the Shah himself, and thus preparations were made for the conclusion of an oil agreement in 1933, economically more in favour of Iran.[15]

Abdul-Reza H. Mahdavi, an historian of Iranian foreign policy, argues, however, that the main rationale behind British acquiescence to the Shah's demands was their assurance that a powerful anti-Communist government in Iran could better safeguard their politico-strategic interests in the long-term and that a conciliatory behavior might help bolster their reputation with the emergent intellectual elite and discontented public opinion.[16] The 1933 oil agreement between Reza Shah and the British government was in fact an extension, however modified, of the D'Arcy concession for another 60 years, that is, until 1993. Mahdavi suggests three hypotheses why the Shah made such a compromise: (1) The British intimidation of Reza Shah that they would manage to depose him as they had brought him to power, (2) Threatening to separate Khuzestan from Iran and take it under their own control by proxy, and (3) Bribing the Shah into satisfying their demands and agreeing to the deal.[17] All bilateral concurrence

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notwithstanding, the oil dispute as well as Reza Shah's 'third power policy' – that aimed first and foremost to counterbalance growing British and Soviet influence in the country – served to sour Iranian-British relations under him with the consequent strained atmosphere continuing until the end of his reign in 1941 when Iran was occupied by Britain and Russia in the thick of World War Two.

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## Notes:

[1]. Cited in David Powell, *British Politics 1910-35: The Crisis of the Party System* (London and New York: Routledge, 2004), p. 59.

[2]. William T. Fain, *American Ascendance and British Retreat in the Persian Gulf Region* (Houndmills and New York: Palgrave, 2008), pp. 2-3; Robert Johnson, *British Imperialism* (Houndmills and New York: Palgrave, 2003), pp. 160, 163; Manouchehr Mohammadi, *Morouri bar Siasat-e Khareji-e Iran-e Doran-e Pahlavi [A Review of Iran Foreign Policy during Pahlavi Reign (sic)]* (Tehran: Dadgostar Publishing, 1377/1998), pp. 22-23.

[3]. Cited in William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (London: Pluto Press, 2004), p. 20.

[4]. Ruhollah K. Ramazani, *The Foreign Policy of Iran: A Developing Nation in World Affairs 1500-1941* (Charlottesville: University Press of Virginia, 1966), p. 137; Cited in Mohammad R. Saidabadi, *Iranian-British Relations Since 1979* (Unpublished Doctoral Dissertation) (Canberra: Australian National University: 1998), p. 25.

[5]. Elton L. Daniel, *The History of Iran* (Westport and London: Greenwood Press, 2001), p. 129.

[6]. Amin Saikal, 'Iranian Foreign Policy 1921-1979', in William B. Fisher and others, eds., *The Cambridge History of Iran: From Nader Shah to the Islamic Republic*, vol. 7 (Cambridge: Cambridge University Press, 1991), p. 428.

[7]. Ali Gheissari and Vali Nasr, *Democracy in Iran: History and the Quest for Liberty* (Oxford: Oxford University Press, 2006), p. 35.

[8]. Morad A. Sadoughi, 'Raveshshenasi-e Fa'aliyat-e Siasi-e Inglis dar Iran [The Methodology of England's Political Activity in Iran]', in *Ravabet-e Iran va Engelestan [I. R. Iran-UK Relations]*, vol. 1 (Tehran: Tehran International Studies and Research Institute, 1384/2005), pp. 178-79

[9]. For further details on the role played by Sidney Reilly, a member of the British spy agency, and the Scottish businessman Lord Strathcona, in securing 'Britain's major petroleum source' in the Middle East, see William Engdahl, *A Century of War: Anglo-American Oil Politics and the New World Order* (London: Pluto Press, 2004), pp. 20-22.

[10]. Manouchehr Mohammadi, *Morouri bar Siasat-e Khareji-e Iran-e Doran-e Pahlavi [A Review*

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*of Iran Foreign Policy during Pahlavi Reign (sic)*] (Tehran: Dadgostar Publishing, 1377/1998), p. 22.

[11] Houshang Sabahi, *British Policy in Persia, 1918-1925* (London: Frank Cass, 1990), p. 123; Cited in Mohammad G. Majd, *Great Britain and Reza Shah: The Plunder of Iran, 1921-1941* (Gainesville: University Press of Florida, 2001), p. 61.

[12]. See Cyrus Ghani, *Iran and the Rise of Reza Shah: From Qajar Collapse to Pahlavi Power* (London and New York: I. B. Tauris, 1998); and Stephanie Cronin, *The Army and the Creation of the Pahlavi State in Iran, 1910-1926* (London and New York: I. B. Tauris, 1997).

[13]. Mohammad G. Majd, *Great Britain and Reza Shah: The Plunder of Iran, 1921-1941* (Gainesville: University Press of Florida, 2001), pp. 61-67. For the Caldwell citation, see p. 63.

[14]. For a succinct explanation of Reza Khan's nationalistic dictatorship, see Ali Gheissari, *Iranian Intellectuals in the 20<sup>th</sup> Century* (Austin: University of Texas Press, 1998), pp. 46-47.

[15]. Valérie Marcel and John V. Mitchell (contributor), *Oil Titans: National Oil Companies in the Middle East*, (London and Washington: Chatham House and Brookings Institution Press, 2006), p. 20.

[16]. Abdul-Reza H. Mahdavi, *Siasat-e Khareji-e Iran dar Doran-e Pahlavi [Iranian Foreign Policy in the Pahlavi Period]*, 2<sup>nd</sup> ed. (Tehran: Alborz Publishing, 1374/1995), p. 24.

[17]. *Ibid.*, pp. 36-37.

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Maysam Behravesht is a PhD candidate in the Department of Political Science at Lund University, Sweden. His doctoral thesis investigates the impact of identity motives and emotive drives on the nuclear behavior of states with revisionist tendencies, deploying ontological security theory and narrative methodology for the purpose. He served as the Editorial Assistant of the quarterly *Cooperation and Conflict* for three years from 2013 to 2016 and is currently a Research Fellow at the Center for Middle Eastern Studies at Lund University.