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Chapter 2

The Historical Geopolitics of Oil in Khuzestan

The Post War Landscape of Unanticipated Outcomes (1918-1926)

In the wake of WWI, for the first time, Britain appeared as the absolute master of the situation in Iran and the Persian Gulf¹. All its major imperial rivals in the region - the German, Ottoman, and Russian empires - had collapsed, thus eliminating the long maintained anxiety about defending the Indian colony from hostile encroachments. The Royal Navy dominated the Persian Gulf having subjugated the littoral Arab city states as its vassals, and the British Army surrounded the prized oil installations of Khuzestan with more than a half a million troops that continued to be deployed in the Near and Middle East².

In Iran the Qajar state was in a position of near total dependence on the good graces of His Majesty's Government. The state finances were good as bankrupt and its outdated bureaucracy was close to total disarray³. The fragmented, mal-trained, and small military forces were being paid not out of an empty treasury but from loans obtained with ever more difficulty from the country's only, British owned, Imperial Bank⁴. Given the increasingly desperate state of the country after the Constitutional

¹ See Roger Adelson, *London and the Invention of the Middle East: Money, Power, and War, 1902-1922* (New Haven: Yale University Press, 1995); Abd al-Reza Houshang Mahdavi, *Siyasat-e Khareji-e Iran dar Dowran-e Pahlavi, 1300-1357* (Tehran: Alburz, 2001), 1-52; Abd al-Reza Houshang Mahdavi, *Sahnehayee az Tarikh Mo'aser Iran* (Tehran: Elmi, 1998), 185-204; Houshang Sabahi, *British Policy in Persia, 1918-1925* (London: Frank Cass, 1990); W. Taylor Fain, *American Ascendance and British Retreat in the Persian Gulf Region* (New York: Palgrave Macmillan, 2008); William J Olson, *Anglo-Iranian Relations during World War I* (London: Frank Cass, 1984); Homa Katouzian, *State and Society in Iran* (London: IB Tauris, 2000); John Marlowe, *The Persian Gulf in the Twentieth Century* (New York: Frederick A. Praeger, 1962), 54-122; Sugata Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire* (Cambridge, MA: Harvard University Press, 2006); Valentine Chirol, *The Middle Eastern Question: Or, Some Political Problems of Indian Defence* (London: J. Murray, 1903); Elizabeth Monroe, *Britain's Moment in the Middle East, 1914-1971*, 2nd ed. (Baltimore: The Johns Hopkins University Press, 1981), 50-130.

² Adelson, *London and the Middle East*, 171.

³ Arthur C Millspaugh, *The American Task in Persia* (New York: Century Co., 1925); Mosharrafod-dowleh Hassan Khan Naficy, "L'Impot et la Vie Economique et Sociale en Perse" (PhD Dissertation, Universite de Paris, 1924); Majid Yektayi, *Tarikh-e Darayi-e Iran (History of Iranian Finances)*, 2nd ed. (Tehran: Entesharat-e Parviz, 1961); Hossein Khan Moshar-Ghadimi, "Les Finances Publiques de la Perse" (PhD Dissertation, Universite de Paris, 1922); Ali Gheissari, *Iranian Intellectuals in the 20th Century* (Austin: University of Texas Press, 1998), 49-50; Morgan Shuster, *The Strangling of Persia* (New York: Century Co., 1920); Shaul Bakhash, *Iran: Monarchy, Bureaucracy and Reform under the Qajars*, St. Anthony's Middle East Monographs 8 (London: Ithaca Press, 1978).

⁴ Geoffrey Jones, *Banking and Empire in Iran: Volume 1: The History of the British Bank of the Middle East*, vol. 1 (Cambridge: Cambridge University Press, 1986); Cronin, *The Army and the*

Revolution and the war time occupation, there was little tax collection and the Royal Court was heavily indebted to Britain and Russia to foot its daily expenses, let alone to invest in any meaningful economic development or relief efforts for the impoverished population⁵. In the south Britain had set up the South Persia Rifles (SPR) under Sir Percy Sykes to combat German and Ottoman incursions, and to subdue local resistance and brigandage⁶. In Khuzestan APOC had consolidated its operations and was planning major expansions there and internationally, relying for protection on British troops in Mesopotamia, as well as its local alliances with the virtually autonomous tribal chieftains⁷.

At the global level, the British diplomatic machine was being conducted, for the first time, by a set of politicians who specialized in the so-called "Eastern question" and the newly coined "Middle East" region⁸. With Nathaniel Curzon at the helm of the Foreign Office (FO) successive coalition governments were content to leave strategic decisions to the legendary and cantankerous politician⁹ who was viewed, not least by himself, as the ultimate expert on the "Persian Question"¹⁰. In setting up his Iran policy Curzon was assisted by a succession of equally prominent and highly regarded diplomats acting as Ministers in Tehran, such as Percy Cox (1918-1920), and Percy Loraine (1921-1926)¹¹, who were crucial in helping to ward off American attempts to gain a foothold there, and preparing the ground for making

Creation of the Pahlavi State in Iran, 1910-1926; Malek al-Sho'ara Bahar, *Tarikh-e Mokhtasar-e Ahzab-e Siyasi-ye Iran (History of Iran's Political Parties)*, vol. 1 (Tehran: Jibi, 1978), 46–47.

⁵ Moustafa Fateh, *The Economic Position of Persia* (London: P.S.King and Son, 1926), 66–68; Hassan Mojdehi, "Arthur C. Millsapugh's Two Missions to Iran and Their Impact on American Iranian Relations" (Ball State University, 1975), 44–45; Naficy, "L'Impot et la Vie Economique et Sociale en Perse," 54–55; R. M. Burrell, ed., *Iran Political Diaries 1881-1965 14 Volume Set* (London: Archive Editions Ltd, 1997), Vol.7.

⁶ Percy Sykes, "South Persia and the Great War," *The Geographical Journal* 58, no. 2 (1921): 101–18; Cronin, *The Army and the Creation of the Pahlavi State in Iran, 1910-1926*; Monireh Razi, *Polis-e Jonoub-e Iran (South Persia Rifles)* (Tehran: Markaz-e Asnad-e Enqelab-e Eslami, 2002); Florida Safiri, *Polis-e Jonoub-e Iran- SPR (South Persia Rifles)* (Tehran: Nashr-e Tarikh-e Iran, 1985).

⁷ Ferrier, *History of the British Petroleum Company*, 1:274–311.

⁸ Chirol, *The Middle Eastern Question*; Adelson, *London and the Middle East*, 22–50.

⁹ On evaluating Curzon's role on Middle East policymaking, see Adelson, *London and the Middle East*; Sabahi, *British Policy in Persia*; Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire*; Christopher N. B. Ross, "Lord Curzon and E. G. Brown Confront the 'Persian Question,'" *The Historical Journal* 52, no. 2 (May 15, 2009): 385–411.

¹⁰ George Nathaniel Curzon, *Persia and the Persian Question*, 2 vols. (London: Elibron, 2005 [1893]).

¹¹ John Townsend, *Proconsul to the Middle East: Sir Percy Cox and the End of Empire* (London: I. B. Tauris, 2010); Gordon Waterfield, *Professional Diplomat: Sir Percy Loraine of Kirkharle, Bt., 1880-1961*. (London: Murray, 1973); Roberta Pearce, "Cox, Sir Percy," *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), <http://www.oxforddnb.com.ezproxy2.lib.depaul.edu/view/article/32604> ; Elizabeth Monroe, "Loraine, Sir Percy Lyham (1880-1961)," *Oxford Dictionary of National Biography* (Oxford: Oxford University Press, 2004), <http://www.oxforddnb.com.ezproxy2.lib.depaul.edu/view/article/34597> .

Iran effectively a British protectorate¹². Such an outcome would have accomplished the long held dream of securing the western approaches to India¹³, and as good as guaranteed the continued monopoly of British control over the oil resources of Iran and the Persian Gulf area.

Under these circumstances the post WWI years ought to have been the golden years of unchallenged British hegemony in Iran. Ironically, this proved not to be the case, and by mid 1920s the whole edifice had been altered beyond recognition. Tremendous internal divisions and disagreements within the sprawling British foreign policy establishment scuttled the hegemonic appearance of monolithic unity in formulating and implementing imperial policies. The eruption of nationalism and mass politics in Iran proved difficult to handle for Victorian and Edwardian politicians who had spent years dismissing any such political agency among the despised “Persians”. The paranoia and fear of Bolshevik subversion significantly curtailed the British freedom of unilateral action. By the end of this period the moribund Qajar dynasty had collapsed and was replaced by the aggressively centralizing Pahlavi dynasty under the military strongman Reza Shah, who proceeded to depose the British local tribal protégés Sheikh Khaz’al and the Bakhtiyari Khans, and maneuvered for the newly established national army to take control of the Khuzestan province. The financial leverage that Britain had used effectively to enfeeble the state since late 19th century was also removed as APOC was forced to settle its arrear royalty payments; the crushing national debts to Russia and Britain were alleviated when the Soviets forgave the Tsarist debts to Iran; and Iran managed the opportunity to settle some of its outstanding British debts. By 1929 the British owned Imperial Bank was forced to cede its monopoly over currency issue and financial transactions to the newly established Bank Melli (National Bank).

APOC found itself in similar conundrum in Khuzestan. There was frustration among Company directors at the slow pace of the British Government outlining a global oil strategy following the war, and the lack of clarity over the boundaries of its political interference in the operations and the finances of the Company¹⁴. In Iran, the Company’s expanding operations ran into strategic difficulties with its labor force

¹² Mojdehi, “Arthur C. Millsapugh’s Two Missions to Iran and Their Impact on American Iranian Relations,” 38–41.

¹³ George Nathaniel Curzon, *The Place of India in the Empire: Being an Address Delivered before the Philosophical Institute of Edinburgh* (London: J.Murray, 1909) .

¹⁴ Ferrier, *History of the British Petroleum Company*, 1:350–396.

after the end of the War. By the mid-1920s discontent among the indigenous workers, as well as its skilled Indian laborers had reached worrying degrees. The technical, organizational, and commercial transformations of the industry now required a different form of labor discipline and industrial culture that its existing practices simply did not provide adequately. Employee recruitment of European and especially British employees was becoming a major challenge, as were managing the rising frictions with local populations in Khuzestan, especially once the tribal allies who had hitherto mediated these relations to the benefit of the Company had been removed by the central government and replaced by bureaucrats and military officers. The fears of spillover from popular revolts in Iraq and India, and the politicization of workers through communist and nationalist sympathies were constant concerns. The sudden incursion of the Iranian army in 1924, and the establishment of the nascent bureaucracy in Khuzestan unexpectedly curtailed the near total sway of the Company in the management of local provincial affairs. With the British Government reconfiguring its strategy toward Iran, the Oil Company likewise had to find a new *modus operandi* to continue successfully to expand its operations.

In summary, less than a decade after the end of WWI, Britain was facing a wholly unanticipated new paradigm, not only in Iran and in Khuzestan, but also regionally in Mesopotamia, the Persian Gulf, and the Middle East, as well as in home country itself (see chapter 4). It had to adapt itself to the radically new state of affairs beyond its controls, and devise new long-term strategies. The unforeseen circumstances were the result of three factors: first, the fear of the rising Soviet threat and the radicalization of mass politics in Iran; second, the unanticipated vigor of popular resistance and of Iranian nationalism (overlapping with similar uprisings throughout much of its dominions), which itself was in large part a reaction against British proto-colonial policies; and third, the structural economic and strategic weakness of post war Britain, which curtailed the state's range of abilities during a period of severe austerity. All three factors were directly and indirectly tied to the global shifts that will be discussed in chapter 4: the rise of mass politics, the changing role of the state, the coming to prominence of middle class professional elites and intelligentsia, and the structural shifts in capitalism.

The controversy that broke out in 1925-1926 over the new Bazaar of Abadan laid at the center of these transnational, regional, and national shifts and played its part in shaping the new oil habitus that emerged in Khuzestan's oil complex. Chapter

4 investigates the structural and global changes that were precipitated by the WWI, and led to the emergence of the ‘social question’, with all that it entailed. In this chapter we will telescope into the narrower scales of the national context in Iran, the provincial dynamic in Khuzestan, and the local eye of the storm in Abadan to link together these different scales and to further investigate how the oil complex was assembled in this formative period. I will first discuss the context of British policy toward Iran, as it affected the oil operations. I will then analyze this dynamic from the Iranian perspective, again as they relate to the oil complex. The reverberations of these larger trends in Abadan and the oil producing areas of Khuzestan will be the topic of the next section. In concluding with a discussion of the Bazaar controversy I will attempt to demonstrate how the local struggles of oil workers and the urban population affected the manner in which the oil complex took shape in this formative period.

The Political and Regional Context of Oil in 1920s and Shifting British Policy Toward Iran: From Buffer State to Sphere of Influence to Protectorate to Unwieldy Asset.

British policy toward Iran underwent significant reassessments throughout the 19th and through the first three decades of the 20th centuries, with fundamental repercussions for southern areas bordering the Persian Gulf¹⁵. Since the subsequent development of the oil complex cannot be understood without this historical context I will briefly outline these developments in the following section to provide the geopolitical backdrop of what transpired in Abadan and the oil areas of Khuzestan during the decisive 1920s.

From the early 19th century through the middle of the 20th century the importance of the Persian Gulf increased steadily for British imperial priorities, and with it came an expanded military, naval, and commercial presence¹⁶. Throughout the 19th century until WWI the Persian Gulf was conceived by Britain within three intertwined but unequal geopolitical parameters: Strategically, it was seen as the first

¹⁵ Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire*; Fain, *American Ascendance and British Retreat in the Persian Gulf Region*, 14–16. See note 1 above

¹⁶ Fain, *American Ascendance and British Retreat in the Persian Gulf Region*, 1–17; Marlowe, *The Persian Gulf in the Twentieth Century*; Adelson, *London and the Middle East*; Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire*; Rose Greaves, “Iranian Relations with Great Britain and British India: 1798-1921,” in *Cambridge History of Iran, From Nadir Shah to the Islamic Republic*, vol. 7 (Cambridge: Cambridge University Press, 1991), 350–73.

line of vital defense of India on its western front¹⁷. Second, with the establishment of direct telegraph communication between London and India, the maintenance of the control and security of the northern (Persian) coast of the Gulf where the communication lines traversed became an added strategic priority¹⁸. Expanding commercial interests and securing supplies and outlets for British merchant goods was the third motive behind the increasingly active diplomacy that led to obtaining navigation rights in Karun, Tigris, and Euphrates from Ottoman and Persian governments, and the signing of the so called Trucial agreements with the city states bordering the Persian Gulf. Soon after, a series of ever more comprehensive concessions were granted to Europeans, encompassing mining, industries, banking, railroads, commerce, customs, etc. Curzon summarized these interests as “commercial, political, strategical, and telegraphic”¹⁹. The 1901 D’Arcy Oil Concession was the last of these controversial agreements, which were one of the targets of the 1906 Constitutional Revolution. Thereafter the granting of such concessions became far more controversial, and every government that attempted to issue a similar concession ran into major frictions with the Majles and the uproar of public opinion that were reflected in the increasingly vocal press.

After 1912 oil was added to the British geopolitical priorities as a major new variable in the calculations of policymaking toward the region, while the deployment of wireless communication gradually began to reduce the importance of the telegraph by late 1920s²⁰.

Russia’s 19th century expansion into Caucasus had led to two wars with Iran, both ending with the latter’s defeats (in 1813 and 1828) and resulting in exorbitant treaties that had forced open the Iranian society to Russian commerce and political interference²¹. Britain had withdrawn support from Iran during these conflicts, calculating that the official treaties, while weakening Iran considerably, would force Russia to recognize Iran’s territorial integrity and thus stop its southward territorial

¹⁷ George Nathaniel Curzon, *The Place of India in the Empire: Being an Address Delivered before the Philosophical Institute of Edinburgh* (London: J. Murray, 1909).

¹⁸ Olson, *Anglo-Iranian Relations during World War I*, 12–13; Marlowe, *The Persian Gulf in the Twentieth Century*, 26–27.

¹⁹ Olson, *Anglo-Iranian Relations during World War I*, 11.

²⁰ Stephen Longrigg, *Oil in the Middle East: Its Discovery and Development*, 2nd ed. (Oxford: Oxford University Press, 1961), 33–116.

²¹ Firuz Kazemzadeh, *Russia and Britain in Persia, 1864-1914;: A Study in Imperialism* (New Haven: Yale University Press, 1968); Muriel Atkin, *Russia and Iran, 1780-1828* (Minneapolis: University of Minnesota Press, 1980).

expansion toward the Persian Gulf and eventually India. Instead, the situation turned Iran into a rapidly enfeebled and defenseless battleground of the more powerful imperial rivals. As Britain pushed for equal concessions in the south, Iranian economic development was further stunted to serve the priorities of its more powerful neighbors, British India to the southeast, Russia to the north, and Ottomans to the west, who all competed to extract as much as possible, while actively blocking any autonomous development that would threaten their own strategic interests. For example, these ongoing imperial rivalries prevented successive attempts to build a national railroad in Iran on defensive strategic grounds, to the extent that the railroad project became a nationalist obsession that was only carried out in the 1930s as one of Reza Shah's grandest scheme²². Likewise, the geographic axis of Iranian trade routes for international commerce were shifted south-north, from the Persian Gulf to the Caspian and the Black Seas, at the expense of the historical east-west trans-Asian Silk Road that was effectively blocked off²³. Iran's last attempt to re-open its eastern flank by occupying Herat ended in defeat at the Anglo Persian War of 1857, a conflict that established a permanent foothold for Britain throughout southern Iran (see chapter 3).

Trapped among stronger neighbors, playing the imperial adversaries against each other, or banking on the assistance of more distant and supposedly neutral potential allies (France, Germany, the United States) became an integral feature of Iranian politics and political culture, at least until 1953. After the 1857 Indian revolt and the assumption of direct colonial rule by the British Raj the western approaches of the Empire, especially the Persian Gulf, Afghanistan, and Iran, came to be treated as India's first line of defense. Iran in particular, was conceptualized in British foreign policy not really as an independent country, but more as an ambiguous "buffer state" against the incursions of other rival big powers toward India²⁴. This meant that any

²² Kaveh Ehsani, "Tabar Shenasi-e Tarh-ha-ye Bozorg-e Tose'eh dar Iran-e Mo'aser (Genealogy of large-scale development projects in contemporary Iran)," *Goftogu*, no. 54 (2009): 113–32.

²³ Peter Avery and S. Simmonds, "Persia on a Cross of Silver: 1880-1890," *Middle Eastern Studies* 10 (1974): 259–86.

²⁴ On Iran as a buffer state in British foreign policy from 1857-1907 see Edward Ingram, "The Defence of India, 1874-1914," *Militär-geschichtliche Mitteilungen* 16, no. 2 (1974): 215–224; George Nathaniel Curzon, *Persia and the Persian Question*, (London: Elibron, 2005 [1892]), Vol.1, Chs.1, 9; Vol.2, Ch. 30; David McLean, *Britain and Her Buffer State: The Collapse of the Persian Empire, 1890-1914* (London: Royal Historical Society, 1979); E. Haward, "India's Defense as an Imperial Problem," *Journal of the Royal Central Asian Society* 13, no. 2 (1926): 111–129; Rose Louise Greaves, *Persia and the Defence of India, 1884-1892: A Study in the Foreign Policy of the Third Marquis of Salisbury*. (London: Athlone Press, 1959); Rose Louise Greaves, "British Policy in Persia, 1892-1903," *Bulletin*

internal development in Iran, economic, social, regional, or political, were viewed and treated by British policymakers primarily through the lens of their own imperial strategic priorities. One fascinating side effect of this situation was the sheer volume of information produced by the British intelligence gathering machinery on Iran. While domestic Iranian documentation and archives about this period are at best scattered and patchy, the amount of detailed and thorough strategic information systematically gathered and preserved by British travelers, diplomats, local consular officials and military attachés, merchants, scientists, archeologists, and adventurers, is simply remarkable by comparison²⁵. Olson comments that Iran was far better studied than major colonies such as Australia, South Africa, or Canada, in order to facilitate strategic planning, lines of defense, assured supplies, potential allies and adversaries, manpower, etc.²⁶

Debt and Political Culture:

Between 1871 and 1907 the fallout from Britain's buffer state policy had contributed to the significant economic and political deterioration of Iran. The weakness and incompetence of the Qajar state, as well as Russian rapacity, only exacerbated the situation. The travelogues of the highly competent engineer and geographer Najm al-Dowleh to the south, sent there on a mission by Nasser al Din Shah in 1882 and 1889 to repair broken dams, weirs, and bridges on Karun and Karkheh, as well as to report on the state of tax collection and farming, provide detailed accounts of the state of the disrepair that the general economy and infrastructure had fallen into²⁷.

This period also witnessed the collapse of Iran's silver based currency, the Qran, as a result of the international depression of 1890s and the shift to gold standard as the sole basis of monetary valuation by India and Britain, Iran's imperial

of the School of Oriental and African Studies 28, no. Parts 1 & 2 (1965): 34–60; 284–307; T. Holdich, "The Gates of India," *The Imperial and Asiatic Quarterly Review* 33, no. 65/66 (1912): 62–79.

²⁵ This is equally true for the city-states of the Persian Gulf. See for example the astonishing Lorimer, *GPG*. On Iran see for example Burrell, *IPD*; Edmonds, *East and West of Zagros*; Wilson, *SW Persia*; Layard, *Early Adventures in Persia*; Curzon, *Persia and the Persian Question*.

²⁶ Olson, *Anglo-Iranian Relations during World War I*, 13.

²⁷ Haj Mirza Abd-al Ghaffar Najm-al Molk, *Safarnameh Khuzestan beh Zamimeh Ketabcheh Dastour-e Ma'muriat-e Khuzestan va Gozaresh-e Barresiha-ye An Saman* (Tehran: Anjoman-e Asar va Mafakher-e Farhangi, 2006); Abd-al Ghaffar ibn-e Ali Mohammad Najm-al Dowleh, *Safarnameh Dovvom-e Najm-al Dowleh be Khuzestan; beh Peyvast-e Ketabcheh-ye Dastour-al Amal-e Nasser-al Din Shah dar Khosous-e Safar-e Aval beh Khuzestan* (Tehran: Institute for Humanities and Cultural Studies, 2007).

neighbors²⁸. As gold bullion had flown out of Iran and the country failed to adapt to the transnational changes that were taking place as a result of monetary actions by the Sherman Act of the US Congress (1893), the value of the national currency collapsed. A brief improvement in the 1880s saw Iranian merchants invest heavily in international commerce by drawing credit abroad. But the subsequent collapse of the value of silver left the Iranian merchants heavily in debt and unable to adapt to rapidly rising inflation. The Court's attempt to draw in foreign capital by handing out a series of remarkable monopoly concessions first to Julius Reuter (1872) over a vast array of economic activities and resources, such as all mining, industrial, customs, and so on; and soon after to G. Talbot (1890), another British national, for the monopoly of all tobacco production and consumption, were met with furious protests by the public, as well as by Russian statesmen and merchants who felt left out²⁹.

Forced to retreat and compensate Reuter and Talbot when those concessions were annulled in response to the uproar, Nasser al Din Shah had to begin resorting to foreign loans to cover the mounting state deficit, thus beginning a cycle of chronic indebtedness that bedeviled the Iranian economy well into the 1920s. Foreign debt began to be used systematically by Iran's Imperial creditors and neighbors as a policy tool to influence and control the actions of the government for the next three decades. Previously relatively free of debt, the state was now forced to borrow £500 thousand from the Imperial Bank of Persia (British owned) in 1892 to compensate the cancellation of the Tobacco Reggie. On the eve of WWI in 1914 national debts had risen to £7 million (of which £2.6 million were owed to Britain, the rest mostly to Russia); and nearly £11 million in 1919³⁰.

The consequences of these trends, coupled with a rising spread of democratic and reformist ideas from across the region and the world, contributed to a gathering cycle of popular discontent that eventually erupted in the Constitutional Revolution, that dragged on from 1906 to 1911. However, it is important to step back and situate this formative period also within a larger context, as an era of both regional as well as global significance. The global context of changes occurring in the regime of capital

²⁸ See the account of the impact of international monetary changes on the Iranian economy after the American civil war by Avery and Simmonds, "Persia on a Cross of Silver: 1880-1890." On the global impact of the depression of the 1890s see chapter 4.

²⁹ Nikki Keddie, *Religion and Rebellion in Iran: The Tobacco Protests of 1891-92* (London: Frank Cass, 1966).

³⁰ Charles Issawi, *The Economic History of Iran, 1800-1914* (Chicago: University of Chicago Press, 1971), 370-372; Katouzian, *State and Society in Iran*, 192; Sabahi, *British Policy in Persia*, 12-15.

accumulation as a result of the second industrial revolution, the crisis of laissez faire liberalism, the scramble for empires among European powers, and the political fallout of the Paris Commune are discussed in some detail in chapter 4. Russia's defeat against Japan and the subsequent Russian Revolution of 1905 made a huge impression in Iran, and especially among the thousands of migrant Iranian workers in the Caucasus. In the Middle East, the cycles of popular protests following economic crises, famines, epidemics, and a rising tide of mass poverty as a result of imperial policies spread across the region, from Egypt (the 1906 Dishaway revolt), to the Ottoman Empire (1908 Young Turks), and Iran (1890 Tobacco Movement, and the 1906-11 Constitutional Revolution), to inaugurate what Joel Beinin sees as "the rise of mass politics"³¹, of nationalism led by professional middle class modernizers and other reformers (effendiyah in Ottoman territories, monavar al-fekran in Iran), as well as the initial steps of labor movement and peasant resistances³².

The great transformations taking place in the global economy were leading to ever faster and increasingly irresistible changes in economies, politics, as well as in material and cultural life, and the social modes of organization³³. In the Middle East mass immiseration was causing vast movements of populations. Between 1884 and WWI more than 200 thousand people emigrated from Syria and Lebanon to the Americas, and up to an estimated 250 thousand Iranians sought work in the southern regions of Russia, in the Baku oilfields and the railroads and road works of Central

³¹ Joel Beinin, *Workers and Peasants in the Modern Middle East* (Cambridge: Cambridge University Press, 2001), 71–93. See also Chakrabarty, "Labor History and the Politics of Theory"; James L. Gelvin, *The Modern Middle East: A History*, 3rd ed. (New York: Oxford University Press, 2011), 88–223; Mitchell, *Rule of Experts*, 58–121. On the political transformations in Iran and the rise of popular politics during this period see Abrahamian, *Iran Between Two Revolutions*; Touraj Atabaki, "Disgruntled Guests: Iranian Subalterns on the Margins of the Tsarist Empire," in *The State and the Subaltern*, ed. Touraj Atabaki (London: I.B. Tauris, 2007), 31–52; Janet Afary, *The Iranian Constitutional Revolution, 1906-1911: Grassroots Democracy, Social Democracy & the Origins of Feminism* (New York: Columbia University Press, 1996); Ahmad Kasravi, *Tarikh-e Mashrouteh Iran* (Tehran: Amir Kabir, 1951); Houchang Chehabi and Vanessa Martin, eds., *Iran's Constitutional Revolution: Popular Politics, Cultural Transformations and Transnational Connections* (London: I.B. Tauris, 2010).

³² See Fereydoun Adamiyat, *Ideology-e Nehzat-e Mashroutiyat-e Iran* (Tehran: Payam, 1976); Fereydoun Adamiyat, *Fekr-e Demokrasi-e Ejtema'i dar Nehzat-e Mashroutiyat-e Iran* (Tehran: Payam, 1976); Afary, *The Iranian Constitutional Revolution, 1906-1911*; Vanessa Martin, *The Qajar Pact: Bargaining, Protest and the State in Nineteenth-Century Persia* (London: I. B. Tauris, 2005); Touraj Atabaki and Kaveh Ehsani, "Shifting Governmentality in the Shadow of Labor Activism: Revisiting the Roots and Impact of the 1929 Abadan Oil Workers' Strike," in *Middle East Studies Association* (presented at the Annual conference, New Orleans, 2013).

³³ Joseph Schumpeter, *History of Economic Analysis* (New York: Oxford University Press, 1954), 759–780; Stephen Kern, *The Culture of Time and Space, 1880-1918* (Cambridge, Mass.: Harvard University Press, 1983), 177–194, 211–239.

Asia³⁴. The movement of capital and of new ideas accompanied the accelerated movement of people. In Iran the British firm of Lynch Brothers managed to extract a reluctant permission from Nasser al Din Shah to establish steam navigation on Karun and to build a road across Zagros from Ahvaz to Esfahan and Tehran³⁵ (see chapter 3). The 1901 D'Arcy Oil Concession was the next and last such major and sweeping concession granted by a Qajar Shah to a foreign subject, before popular outrage at the increasingly blatant terms of these royal grants foreclosed the possibility of further such agreements.

The political shockwaves of mass movements inaugurated significant political rearrangements although, as we shall see, the Victorian colonial politicians formulating Iran policy were far too reluctant to acknowledge the significance of the new circumstances until the mid 1920s, with momentous repercussions. The new mass politics erupting throughout the Middle East, very much like the concurrent trends in Britain (see chapter 4), re-conceptualized ordinary people as citizens rather than uncouth rabble (*ra'yat*). This change had also very much to do with the rise of the formally educated middle classes, many of whom came from more humble background than the landed aristocracies or tribal elites. The expansion of the printed press, of political ideas about constitutionalism, notions of national progress as a result of individual enlightenment, and the ideas of universal education as the basis of enlightenment and material progress had begun to catch the popular imagination (see chapter 4)³⁶. Analyzing the rise of mass nationalism during the turn of the century in Egypt Zachary Lockman summarizes the situation as: “the discursive articulation of the nations as legitimate political communities led nationalist intellectuals throughout the Middle East to revalorize peasants and workers as fully human subjects. The masses are thereby endowed with potential for political agency which can be

³⁴ Atabaki, “Disgruntled Guests: Iranian Subalterns on the Margins of the Tsarist Empire”; Hassan Hakimian, “Wage Labor and Migration: Persian Workers in Southern Russia, 1880-1914,” *International Journal of Middle East Studies* 17, no. 4 (1985): 443–62; Beinlin, *Workers and Peasants in the Modern Middle East*, 71–72.

³⁵ Shahbaz Shahnavaz, *Britain and the Opening of South-West Persia 1880-1914* (London: Routledge Curzon, 2005).

³⁶ Nikolay Gavrilovich Chernyshevsky, *What Is to Be Done?* (Ithaca: Cornell University Press, 1989); Nikolai Chernyshevsky, “Nikolai Chernyshevskii: Selected Writings,” in *Late Marx and the Russian Road*, ed. Theodor Shanin (New York: Monthly Review Press, 1983), 181–203; Carl Schorske, *Fin-De-Siecle Vienna: Politics and Culture* (New York: Vintage, 1980); Hayden, *The Grand Domestic Revolution*; Kern, *The Culture of Time and Space, 1880-1918*; Eugen Weber, *Peasants into Frenchmen: The Modernization of Rural France, 1870-1914* (Stanford: Stanford University Press, 1976).

mobilized by the nationalist movements, and their interests and demands can be subsumed within the national struggle³⁷.

However, the entry of popular classes into the political arena of the Middle East took on different forms, according to national and local circumstances. “Popular conceptions of the boundaries of political communities, the collective interests, and the capacity to realize them, were formed and reformed through experience in specific political and economic contexts³⁸. In Iran, Avery and Simmonds claim that the social response to the near total financial dependence and economic malaise that occurred after 1893 marked this period as the beginning of “the era of bread riots³⁹, an apt observation especially in the case of the nascent labor movement.

From the turn of the twentieth century, labor struggles in Iran were organized mostly among urban craftsmen, fisherman, menial wage workers, cobblers, bakers, etc. who increasingly protested the betrayals of ‘the moral economy’, such as food hoarding, the adulteration of bread, or corruption of governors and employers who sought to make a profit by misusing state provided provisions in times of famine and distress⁴⁰. Urban crowds were also becoming more concerned with similar issues. For example, the first eruptions of constitutionalism in 1906 occurred when a corrupt governor wrongly accused a pious merchant in Kashan of hoarding sugar and had him bastinadoed in public⁴¹. Mass protests ensued and spread to other towns and cities because people held corrupt government officials responsible for inflation and food shortages. As we shall see, the increasingly virulent popular protests against threats to the moral economy by the rise of oil capitalism in Khuzestan were to play an important role in the frictions and conflicts that characterized the development of Abadan and the oil industry in the period under study.

1907: From Buffer State to Sphere of Influence:

The success of the Tobacco Revolt of the 1890s and the assassination of Nasser al Din Shah had changed the political map prior to the Constitutional revolution. To these were added the fallouts in 1905 from the Russo Japanese War

³⁷ Zachary Lockman, “Imagining the working class: culture, nationalism, and class formation in Egypt, 1899-1914,” *Poetics Today* 15, no. 2 (1994): 181.

³⁸ Beinin, *Workers and Peasants in the Modern Middle East*, 77.

³⁹ Avery and Simmonds, “Persia on a Cross of Silver: 1880-1890,” 279.

⁴⁰ Atabaki and Ehsani, “Shifting Governmentality in the Shadow of Labor Activism: Revisiting the Roots and Impact of the 1929 Abadan Oil Workers’ Strike.”

⁴¹ Ahmad Kasravi, *Tarikh-e Mashrouteh Iran* (Tehran: Amir Kabir, 1951).

and the Russian Revolution, which shook the hated Tsarist power and made a direct impression on the tens of thousands of Iranian oil workers in the Caucasus. However, while Iran was in the throes of the Constitutional Revolution, in 1907 Britain radically changed tack in its Iran policy from considering it a buffer state against Russia, to making an alliance with Russia to divide Iran into mutual spheres of influence, in order to turn it into a bastion against the rising power of Germany and its influence in Ottoman territories. This shift corresponded roughly with the discovery of oil in Khuzestan (1908) and the beginning of the establishment of the oil industry in southern Iran. It had significant repercussions for the way British diplomats acted on behalf of the Oil Company to strike deals with local magnates such as the Bakhtiyari Khans and Sheikh Khaz'al in complete defiance of the central government's approval (see chapter 3). The lasting resentment from these developments later on would give impetus to the widespread nationalist support for the brutal centralization programs of Reza Shah after 1921. It would also affect the manner in which the oil complex evolved after the end of WWI, as we shall see later in this chapter.

Britain's buffer state policy had required a unified country under the control of a weak and dependent central government. Dividing Iran into spheres of influence effectively meant the further loss of that nominal sovereignty by the central government, and the division of the country into a southern protectorate of Britain (ruled through the Government of India), a Northern Russian sphere of influence, and an ineffective "neutral" central region nominally still under the control of Tehran. The main reason behind this Accord was the newfound fear of German militarization and its aggressive moves toward the region. German banks had struck an agreement with Istanbul to build railroads in Turkey and extend a line to Baghdad, with further plans to extend it all the way to the Persian Gulf (Kuwait)⁴².

The 1907 Anglo Russian Convention had significant and far-reaching repercussions in Tehran, within Britain, and especially in Southern Iran and the Persian Gulf. In Tehran it outraged Constitutionalists and nationalists who previously had considered the parliamentary and liberal Britain as a potential supporter of their

⁴² Marlowe, *The Persian Gulf in the Twentieth Century*, 38–40; Nikki Keddie and Mehrdad Amanat, "Iran under the Late Qajars," in *Cambridge History of Iran, From Nadir Shah to the Islamic Republic*, vol. 7 (Cambridge: Cambridge University Press, 1991), 174–213; Beinini, *Workers and Peasants in the Modern Middle East*.

cause⁴³. When Russia and Britain bullied and blackmailed the not-so-reluctant Mohammad Ali Shah to sign the Anglo Russian agreement in order to get further loans and financial support⁴⁴ the popular reaction revealed an intense sense of betrayal, and it planted within Iranian political culture a deep and lasting mistrust of British intents, and an exaggerated view of its duplicity and conspiratorial ability to corrupt political figures to manipulate its desired outcomes at the expense of Iranian national interests. As a result, most British policies and actions began to be viewed by a growing majority of Iranian nationalists as harmful to national interests, and none more so than Britain's operations in its sphere of influence in the south, and especially in the expanding oil operations in Khuzestan. Britain's local allies among magnates in the south, such as Sheikh Khaz'al, the Bakhtiyari Khans, or Qavam al Mulk, the head of the Khamseh tribal confederation in Fars, began to be perceived as puppets and disloyal to national integrity. The same held true for a number of prominent national politicians who, probably more out of pragmatism than mercenary ethics, reasoned that a weak country in the midst of ruthless neighbors needed to adopt a strong patron and chose to side with England as the better available option, began to be perceived as little better than paid agents. Figures such as Prince Abdolhossein Farmanfarma, his son Prince Firouz, Vosough al-Dowleh the Premier in 1919, and eventually Reza Shah himself who, as we shall see, ascended power in 1921 through the reluctant consent of British military and diplomatic commanders, have all been branded as pawns of Britain by much of the conventional nationalist political historiography⁴⁵.

⁴³ Kasravi, *Tarikh-e Mashrouteh Iran*; Abrahamian, *Iran Between Two Revolutions*; Keddie and Amanat, "Iran under the Late Qajars"; Afary, *The Iranian Constitutional Revolution, 1906-1911*; Marlowe, *The Persian Gulf in the Twentieth Century*, 32; Olson, *Anglo-Iranian Relations during World War I*, 18.

⁴⁴ Sabahi, *British Policy in Persia*, 13; Shuster, *The Strangling of Persia*.

⁴⁵ The perception of the ever-present British conspiracies in Iranian politics has lasted until the present. During the 1979 revolution it became particularly pronounced among the opponents of Ayatollah Khomeini who believed the BBC broadcasts had manipulated a secular society to support the Shi'a clergy who were acting as the reactionary agents of British interests! The topic became the source of one of the most brilliant literary farces of the pre-revolution era, Īraj Pezeshkzad, *My Uncle Napoleon*, trans. Dick Davis (Bethesda: Mage Publishers, 1996). For the period under consideration the literature is replete with a range of assessments of the Anglo Iranian relations. For an extremist interpretation of the nefarious British conspiracy see Mohammad Gholi Majd, *The Great Famine and Genocide in Persia, 1917-1919* (Lanham, Md.: University Press of America, 2003). For a measured and insightful assessment of whether Iranian political figures of this period and their actions can be evaluated through the lens of national betrayal and acting as agents of Britain see Katouzian, *State and Society in Iran*; although I must confess that I disagree with Katouzian's rather untenable theory of Iranian state defined by a repetitive and cyclical arbitrary rule and "false modernity". For a contemporary assessment of the alliances made with different imperial powers by various political figures at the time

The 1907 Accord also divided British opinion to an unprecedented degree. Edward Grey, the Foreign Secretary who made the decision to reverse the long held policy of adversity with Russia in favor of allying with it against the greater threat of Germany, had prioritized global and especially European British interests against the more “local” interests in southern and western Asia. These long established priorities had been most energetically articulated by George Curzon, then Viceroy of India, who staunchly upheld the defense of India as the main concern of British foreign policy and absolutely integral to the maintenance of the Empire itself⁴⁶. In Britain the debates surrounding the 1907 Anglo Russian Accord were acrimonious, with the Fabians, radical liberals, and academic scholars of Iran such as Edward Brown raging against the decision⁴⁷.

There were even more significant repercussions from the 1907 Accord for the long held status quo in British geopolitical approach to the region. The newly coined label “Middle East”, as distinct from the Near East, was first coined in 1903 as a strategic designation of the Persian Gulf region, as the last line of defense of India⁴⁸. In the first decades of the new century Britain moved more energetically to consolidate its undisputed authority over navigation, commerce, and diplomacy by designating the entire Persian Gulf an extension of the Government of India (see above)⁴⁹. The British Consulate in Bushehr had served as the official seat of British policy in the Persian Gulf, but now it became effectively the center of regional governance throughout the region⁵⁰.

see Mahmoud Afshar, “Nokati Chand Piramoun-e ‘Alat-e Fe’l Shodan-e Taqizadeh dar Tajdid-e Qarardad-e Naft, ‘Pul Gereftan-e’ Modaress az Alman-ha dar Jang-e Jahani-ye Avval, va ‘Reshveh Gereftan-e’ Vosouq al-Dowleh va Shoraka az Engelis dar Qarardad-e 1919,” *Yaqma*, no. 352 (January 1978): 588–96.

⁴⁶ Curzon, *The Place of India in the Empire*.

⁴⁷ Ross, “Lord Curzon and E. G. Brown Confront the ‘Persian Question’”; Adelson, *London and the Middle East*, 60–66; Keddie and Amanat, “Iran under the Late Qajars”; Greaves, *Persia and the Defence of India, 1884-1892*; Greaves, “Iranian Relations with Great Britain and British India: 1798-1921.”

⁴⁸ Adelson, *London and the Middle East*, 22–26; Chirol, *The Middle Eastern Question*. See also Zachary Lockman, *Contending Visions of the Middle East: The History and Politics of Orientalism*, 2nd ed. (Cambridge, UK: Cambridge University Press, 2009), 95–99; Michael E. Bonine, Abbas Amanat, and Michael Ezekiel Gasper, eds., *Is There a Middle East? The Evolution of a Geopolitical Concept* (Stanford: Stanford University Press, 2012), 36–55.

⁴⁹ Bose, *A Hundred Horizons: The Indian Ocean in the Age of Global Empire*.

⁵⁰ Important accounts of British diplomats and military personnel in southern Iran during this period can be found in Townsend, *Proconsul to the Middle East*; Ella Sykes, “Persian Family Life,” *Journal of the Royal Central Asian Society* 1, no. 2 (1914): 3–11; Wilson, *SW Persia; A Political Officer’s Diary 1907-1914*; Marlowe, *Late Victorian*; Percy Sykes, *Ten Thousand Miles in Persia: Or, Eight Years in Iran* (London: John Murray, 1902); Waterfield, *Professional Diplomat; Sir Percy Loraine of*

An indication of the changing significance of the Persian Gulf was the dramatic rise in the number of Foreign Office staff handling policy for the region from 40 in mid 19th century to 150 by 1914, with the number of annual dispatches they handled increasing from 30 thousand to 110 thousand⁵¹. In this process, the British attitudes toward Iranian politics further deteriorated significantly, with an ever more derogatory and dismissive tone coloring every assessment of Iranian events; and the motives, actions, and behavior of politicians, personalities, and parliamentarians, without acknowledging the irony that British policy was a prime cause of the political problems plaguing the polity.

This era also witnessed significant administrative change throughout the chain of British regional policymaking. So long as Iran had been treated as a unified buffer state the Minister (or ambassador) in Tehran had been directly responsible for policies dictated from London. Once the Anglo Russian Treaty divided the country and the south became designated as a sphere of British influence, despite Iran's nominal independence and territorial integrity, the Resident for the Persian Gulf, posted at the Iranian port of Bushehr, gained a much greater leeway and status in making decisions and setting policy throughout the south of the country⁵². Percy Cox who held that post for most of this period (with the interlude in 1918-1920 when he served as Minister in Tehran) carried tremendous authority, and was eventually appointed High Commissioner for Iraq in 1920⁵³. Since the Chief Resident in Bushehr, as well as the numerous consuls in the south, including those assigned to Khuzestan's cities of Mohamereh, Dezful, Shushtar, and Ahvaz, were all appointed by the Government of India, a situation arose where political priorities of India came into potential conflict with those of London, and the Minister in Tehran. British diplomatic and military officers in the south were colonial officers, steeped in the distinct culture of the Raj. India supplied the main body of the British army and paid for it out of Indian taxes⁵⁴. The view from Delhi or Simla often differed from those formulated in London and Tehran. After WWI, the chain of British decision-making regarding the region became even more convoluted with Cairo becoming yet another competing center of

Kirkharle, Bt., 1880-1961.; Dennis Wright, *The English Among the Persians: Imperial Lives in 19th Century Iran* (London: I.B. Tauris, 2001).

⁵¹ Adelson, *London and the Middle East*, 56.

⁵² Monroe, *Britain's Moment in the Middle East, 1914-1971*, See chapter 1.

⁵³ Pearce, "Cox, Sir Percy."

⁵⁴ On the role of Government of India in supplying troops and financing the Wartime British military in the Middle East see Adelson, *London and the Middle East*, Ch.5, 109–129.

policymaking for the region, with its own set of priorities and urgent concerns⁵⁵. In London, the India Office was under the direct control of the Prime Minister, with appointments approved by the Parliament, but their headquarters were housed in the Foreign Office, and its lines of jurisdiction and autonomy often clashed with various other Ministries responsible for Colonial Affairs and War⁵⁶. As a result, British policy toward Iran became beset with significant contradictory priorities and frictions that, at first glance, may not be evident under the veneer of a global superpower implementing a coherent unilateral approach to a region and country under its effective domination.

Soon after the 1907 Accord the oil industry in Khuzestan emerged as a new vital component in the geopolitics of the region⁵⁷. The circumstances under which the oil complex developed after WWI were directly affected by the geopolitical situation discussed in this section, as well as the global transformations analyzed in the previous chapter.

WWI and its Aftermath: From Sphere of Influence to Failed Attempts to Establish a Protectorate

The fallout from the civil conflicts ensuing from the Constitutional Revolution, and the increasingly brazen interference of Russia and Britain, had made the Qajar state effectively unable to govern. The short-lived attempt in 1911 to resort to American financial advisers led by Morgan Shuster, to assist in reforming the finances of the country was vetoed by Britain and Russia once it became clear that Shuster's sympathies lay with the Constitutionalists, and his attempts to establish an effective tax collection system and an independent gendarmerie would challenge the sway of the two imperial powers⁵⁸. When WWI broke out Iran declared its neutrality, but soon its territory became the battleground of rival Russian, British, and German armies and saboteurs (see chapter 3). The effects were devastating as chronic

⁵⁵ Monroe, *Britain's Moment in the Middle East, 1914-1971*.

⁵⁶ Adelson, *London and the Middle East*.

⁵⁷ According to Marion Kent for Britain in the interwar years "oil and defense came into a symbiotic relationship in the Middle East". Marion Kent, *Moguls and Mandarins: Oil, Imperialism and the Middle East in British Foreign Policy 1900-1940* (London: Franc Cass, 1993), 155. However, this seems an exaggerated assessment, as oil interests were on occasion sacrificed for greater strategic priorities. For example, it can be argued that maintaining the territorial unity of Iran, as well as engineering that of Iraq, were alternatives chosen over carving out independent territories in oil rich Basra and Khuzestan, similar to what had been done in Kuwait.

⁵⁸ Shuster, *The Strangling of Persia*.

insecurity, famine, epidemics, runaway inflation, and rising poverty decimating urban and rural populations⁵⁹. Regular and vociferous bread riots broke out in cities such as Qazvin, Anzali, Qom, Tehran, Shiraz, Manjil, Mashhad, Esfahan, and elsewhere; marauding armies confiscated food and draft animals; warlordism became a blight on settled populations of towns and villages; brigandage and raids disrupted trade, transport, and agriculture. During the war staple food prices grew beyond the means of ordinary people, with wheat prices rising sevenfold, barley fourfold, legumes eightfold, rice sixfold, fodder tenfold, and sugar by 54%⁶⁰. The apparatus of tax collection, such as it was, broke down and the empty treasury was unable to pay troops to collect arrears or to ensure the safety of tax assessors and collectors⁶¹. Labor struggles during this period were often mobilized in objection to food hoarding, bread adulteration, and unpaid wages⁶².

Amir Afkhami, who studied the devastating impact of the 1918-1920 influenza pandemic in Iran concluded that the severe hardships caused by the war had especially devastating effects: “Ironically, Iran a neutral power in the war, lost as many citizens to war-related catastrophes as belligerent countries lost in the trenches”⁶³. He estimates that between 900 thousand to 2.4 million people, or between 10-22 percent of the overall population perished as a result of food shortages, famine, and disease caused by the war related devastation and the political breakdown⁶⁴. In the south especially, the British military activities of the South Persia Rifles (SPR) contributed to scarcity, due to their long-term contracts for grain provision with large landlords to feed their troops⁶⁵. There existed no official or systematic means of keeping records of mortality or births at the time, until the Tehran municipality began

⁵⁹ Mohammad Tamadon, *Oza’ e Iran dar Jang Jahani-e Aval* (Tehran: Tamadon, 1971); Afshin Parto, “Khizesh-e Fars dar Jang-e Jahani-ye Aval,” *Ettela’at-e Siasi-Eqtisadi*, no. 135/136 (January 1999): 70–87; Morteza Dehqan Nejad and Zarifeh Kazemi, “Avamel-e Moaser dar Feqdan-e Tose’eh Rah-ha-ye Tejari Fars az Aghaz-e Jang-e Jahani-e Aval ta Payan’e Jang-e Jahani-ye Dovom,” *Tarikh-e Ravabet-e Khareji* 12, no. 46 (2010): 27–52; L. C. Dunsterville, *The Adventures of Dunsterforce* (London: Naval and Military Press, 2009), 102–117; Maj. M. H. Donohoe, *With The Persian Expedition* (London: Naval and Military Press, 2009), 113–131; Edmonds, *East and West of Zagros: Travel, War and Politics in Persia and Iraq 1913-1921*; Majd, *The Great Famine and Genocide in Persia, 1917-1919*.

⁶⁰ Soheila Torabi, “Negahi beh Vaz’iyat-e Arzagh dar Iran dar Salha-ye Jang-e Jahani-e Aval (A Look at the State of Food Provision in Iran during the WWI Years),” *Ganjineh Asnad*, no. 3/4 (1991): 26.

⁶¹ *Ibid.*, 28.

⁶² Atabaki and Ehsani, “Shifting Governmentality in the Shadow of Labor Activism: Revisiting the Roots and Impact of the 1929 Abadan Oil Workers’ Strike.”

⁶³ Amir Afkhami, “Compromised Constitutions: The Iranian Experience with the 1918 Influenza Pandemic,” *Bulletin of the History of Medicine* 77 (2003): 371.

⁶⁴ *Ibid.*, 383–384.

⁶⁵ *Ibid.*, 372–373.

in 1922 to demand body washers in cemeteries to record deaths and their causes⁶⁶; but there are harrowing accounts by Europeans soldiers and travelers of the hardships suffered by the general population. Forbes-Leith, an officer on expedition in Western Iran recalled the famine in the west of the country:

“ The country was in a terrible state and the peasantry was in the last stages of starvation. Every time I was forced to stop my car, I was surrounded by hundreds of near-skeletons who screamed and fought for such scraps as I was able to spare. In a single day’s journey of fifty-six miles between the towns of Kirind and Kermanshah, I counted twenty-seven corpses by the roadside, most of them those of women and children, and the general condition of life amongst the peasants was so frightful that I was ashamed to eat my simple rations in their presence”⁶⁷.

In 1915 hostile tribes (mostly Arab Bawis) in alliance with German operatives, sabotaged APOC’s pipelines north of Abadan⁶⁸. The Oil Company suspended royalty payments to the Treasury, accusing the hapless central government of reneging on its obligation to protect oil operations⁶⁹. By 1917 the government could no longer pay its daily expenses and it had to rely on further foreign loans to continue minimal operations⁷⁰. To maintain security the British set up the South Persia Rifles, made of Iranian recruits under the leadership of Indian cavalry and British officers, to enforce security of British interests (see above)⁷¹.

At the end of the war Iran’s attempt to gain access to the Versailles peace conference to voice its grievances was blocked by Curzon. Iran claimed to be a non-belligerent whose sovereign territory had been violated by invading armies and unjust collusion between imperial powers. Despite President Wilson’s support of Iran’s

⁶⁶ A.R. Neligan, “Public Health in Persia; 1914-24. Part 1,” *The Lancet* 207, no. 5351 (March 20, 1926): 636.

⁶⁷ F. A. C. Forbes-Leith, *Checkmate; Fighting Tradition in Central Persia*, (New York: Arno Press, 1973), 20.

⁶⁸ Pierre Oberling, *The Qashqai Nomads of Fars* (Hague: Mouton, 1974); Christopher Sykes, *Wassmuss, “the German Lawrence”* (New York: Longmans, 1936).

⁶⁹ Ferrier, *History of the British Petroleum Company*, 1:359.

⁷⁰ Sabahi, *British Policy in Persia*, 14; Burrell, *IPD*, Vol.6, 354–358.

⁷¹ Bahar, *Tarikh-e Mokhtasar-e Ahzab-e Siasi-ye Iran (History of Iran’s Political Parties)*, 1:47; Safiri, *Polis-e Jonoub-e Iran- SPR (South Persia Rifles)*; Sykes, “South Persia and the Great War”; Sykes, *Wassmuss, ‘the German Lawrence’*.

claim Curzon succeeded in blocking its entrance⁷². There were several motives behind this maneuver. As the supremo in the Foreign Office Curzon had become the paramount policy setter for the region and he intended to engineer a shift back to making Iran a buffer state for India and the Persian Gulf against the new Soviet threat. In the following years Britain sent military forces into Russian territory in a futile attempt to defeat the Soviets' attempts to control their southern flanks in the Caucasus. Britain also machinated and helped to establish a ring of anti communist states to surround Russia in the Balkans, the Baltics, Turkey, Central Europe, the Near East, and Iraq. Iran was the last piece in the puzzle. Allowing Iran access to the peace conference would have put it formally on a par with Britain, as a fellow member state. If belligerents, including Britain were recognized at fault for having invaded a neutral country, and were forced by the League to pay compensation for war damages they had caused, this could have potentially weaned Iran of its debilitating dependence on British financial handouts, and set a bad precedence with other aggrieved nations.

An even more pressing concern had to do with the 1901 D'Arcy Oil Concession, and all the other lopsided agreements and concessions Iran had signed with Britain or British subjects under dubious circumstances. The fear was that if Iran were to gain access as a nominally equal participant to an international forum which claimed to establish an ethical set of laws to govern international relations it would unveil long held grievances which would undermine British domination there and force it to be held accountable. In a letter to Curzon, the Minister in Tehran Percy Cox listed the "dangerous" grievances and demands that Iran could potentially raise and gain a sympathetic audience⁷³. These included the murky relations between APOC and the Government of Britain, the dubious calculation of royalties by APOC, the withholding of oil royalties by APOC since 1915; the forced terms of the 1907 Anglo-Russian Accord; the operations of the South Persia Rifles in Iranian territories; the agreement between the Bakhtiari Khans and APOC hammered out through the mediation of British diplomats; the protectorate set up in Khuzestan with Sheikh Khaz'al; the objectionable drawing of boundaries with Iraq, Afghanistan, and India (now Pakistan) under British, Ottoman, and Russian duress; the continued foreign

⁷² *Persia, Annual Review 1922*, Burrell, *IPD*, Vol.6, 359–360.

⁷³ Olson, *Anglo-Iranian Relations during World War I*, 219–220.

control of Persian finances, etc⁷⁴. (See chapters 3 & 5 for further discussion of these issues)

The question of oil royalties (chapter 3), was particularly onerous and overtime became the main flashpoint between the two countries, and eventually led to the nationalization of oil in 1951. Since 1912 Britain had become increasingly dependent on oil⁷⁵, and it wanted to prevent as much as possible the intrusion of rivals, especially the US, in its sphere of influence in the Persian Gulf with its proven rich petroleum deposits. Furthermore, the fear of rising Soviet influence and growing nationalism throughout the region was becoming a paramount concern. In 1919 Curzon and Percy Cox, as his trusted envoy to Tehran, devised a policy that scuttled the highly controversial 1907 Anglo Russian Accord and aimed to turn Iran effectively into an informal British protectorate, somewhat similar to the Egyptian model⁷⁶. They drew a secret agreement in 1919 with a number of leading anglophile Iranian politicians, led by the premier Vosough al Dowleh, effectively to allow Britain the exclusive control of the country's financial, military and bureaucratic administrations in exchange for a loan of £2 million, on 7% fixed interest. To “grease the wheels”, as they put it, they advanced 10% of the loan personally to Vosough al Dowleh and his two principle allies⁷⁷. The accord would have forced Iran to deal directly with Britain without the interference of the League of Nations, to settle all outstanding claims regarding reparations, royalties, borders, etc. The protection of APOC and the oil operations in Khuzestan was one the priorities behind this plan. The 1919 agreement would have allowed Britain to prioritize its own interests in approving or blocking any development that would be taking place in Iran. For

⁷⁴ See also Adelson, *London and the Middle East*, 134–199; Olson, *Anglo-Iranian Relations during World War I*, 219–233; Sabahi, *British Policy in Persia*; Ali Farahmand Araqi, “Vakonesh-e Iran beh Naghz-e Bitarafi dar Jang-e Jahani-e Avval (Iran's Reaction to the Violation of Its Neutrality in WWI),” *Tarikh-e Ravabet-e Khareji* 4, no. 1 (2003): 167–99; Ferrier, *History of the British Petroleum Company*, 1:350–371; Marlowe, *The Persian Gulf in the Twentieth Century*, 56–57. On the question of boundaries see Keith McLachlan, ed., *The Boundaries of Modern Iran* (New York: St. Martin's Press, 1994).

⁷⁵ Britain's overall petroleum imports from the Middle East (effectively only Iran at this period) were limited, with Mexico and Venezuela being the main suppliers for Britain in Europe. However, the Royal Navy, the Army stationed in Mesopotamia, and the Government of India, were highly dependent on refined oil from Burma, as well as Abadan. Ferrier, *History of the British Petroleum Company*; Monroe, *Britain's Moment in the Middle East, 1914-1971*.

⁷⁶ Mahdavi, *Siyasat-e Khareji-e Iran dar Dowran-e Pahlavi, 1300-1357*, 4–8; Olson, *Anglo-Iranian Relations during World War I*, 230.

⁷⁷ The 1919 agreement has been extensively analyzed. Here I merely provide a context for explaining how these events affected the oil operations in the coming years. See Katouzian, *State and Society in Iran*.

example, Cox and Curzon conceived a strategy to continue vetoing the construction of any railroads that could be potentially used by rival armies, and to consolidate their continued support of Sheikh Khaz'al as a protected vassal in Khuzestan⁷⁸.

In a short interlude between 1919-1921, a deal that had appeared as a masterstroke to its architects backfired spectacularly, leaving Curzon's Persian Gulf and Iran policies in tatters. In the following years Britain, as well as APOC, had to scurry continuously to keep up with a rapidly changing landscape in Iran, and accept drastic changes to the balance of power there. This reversal also had major repercussions for the oil complex in Khuzestan as we shall discuss in the following chapters. Several factors contributed to the demise of the 1919 Anglo Persian Accord:

First, the unexpected stiffening of resistance by Iranian politicians and nationalists once the terms of the secret accord were revealed. The Iranian government had been in a state of chronic instability since 1907, and especially after the war had started. Between 1914 and 1919 there had been 16 cabinets; but all shared the common goals of ending foreign interference, assuring financial stability and autonomy, securing international guarantees of independence and sovereignty, developing a unified national army, and establishing an effective administrative machinery of governance⁷⁹. Since the outbreak of the war many politicians had received support, strategic and sometimes financial, from rival foreign powers. When following the incursion of belligerent foreign militaries in 1915 the ruling cabinet fled the advancing Russian army in 1915 and established a government in exile in Kermanshah, it accepted financial assistance from the Germans to continue operating. Many prominent nationalists, such as Taqizadeh, Kazemzadeh Iranshahr, etc. had settled in Berlin and conducted their political and cultural activities there with the support of the German government. Britain likewise had supported its allies such as Prince Farmafarma, Qavam al Mulk, Sheikh Khaz'al, and even Ahmad Shah with soft loans, allowances, and handouts. In 1916 it had set up the South Persia Rifles to impose its order in the south of the country, in collaboration with sympathetic local magnates there. Against this background, the stigma of direct British payment to Vosough al Dowleh and his cohort to get the controversial accord approved created

⁷⁸ Olson, *Anglo-Iranian Relations during World War I*, 219–222.

⁷⁹ Gheissari, *Iranian Intellectuals in the 20th Century*, 40–48; Bahar, *Tarikh-e Mokhtasar-e Ahzab-e Siasi-ye Iran*; Katouzian, *State and Society in Iran*; Olson, *Anglo-Iranian Relations during World War I*, 236; Sabahi, *British Policy in Persia*.

such an outrage that any such future dealings became far more risky⁸⁰. The 1919 Accord had to be approved by the Majles to gain the veneer of legality. But instead of finding its way there quickly as Curzon frantically kept insisting, it was delayed for more than a year by reluctant politicians who were fearful of the consequences of the popular backlash, and eventually the Majles rejected it out of hand. Curzon blamed the incompetence of the new Minister Herman Norman and the reviled corrupt Persians who did not recognize the benevolence of the deal on offer, but the fact was that the Accord had virtually no supporters in Iran⁸¹.

The second reason for the collapse of the policy was the deteriorating state of affairs in Iran and throughout the region. British military incursions against the Soviet Union into Central Asia and the Caucasus backfired spectacularly in 1918. The so-called Dunsterforce expedition from Iraq to Baku through Iran collapsed in 1918⁸² and the subsequent Norperforce (North Persian Force) expedition to shore up resistance against the advancing Red Army was equally stalled (1918-1920)⁸³. Radical regional movements in Northern Iran, in Gilan and Azarbaijan and Khorasan were gaining a foothold and the rag tag Persian military, especially the Cossack Corps, led by Russian officers, was unable to impose its authority, partly because it could not even pay its troops and had to rely on loans from the Imperial Bank to maintain minimal operations. Ironically, the Bank was under orders from Curzon to refuse any further funding of the Persian Government in order to force them into signing the 1919 Accord. In this case, the Bank procrastinated and continued funding the troops⁸⁴ until the tide turned by 1920, Soviet Troops withdrew from the northern territories they had occupied, and the regional movements were defeated by a combination of Cossacks and British forces. Meanwhile, the Soviet Union discarded the long held Russian policy toward Iran and forgave the substantial outstanding loans in exchange for an

⁸⁰ See Mahmoud Afshar's reflections on the topic, claiming that foreign assistance from Germans to Taqizadeh or Modarress was unfortunate but ultimately understandable, in part because those politicians owned up to it publicly, and did not enrich themselves personally, but instead used the funds to advance nationalist political agendas under dire circumstances. Vosough al Dowleh and other Anglophile politicians, on the other hand, continued to be duplicitous and were more inclined to benefit personally from their alliance with Britain. See Afshar, "Nokati Chand Piramoun-e 'Alat-e Fe'l' Shodan-e Taqizadeh".

⁸¹ Katouzian, *State and Society in Iran*.

⁸² Dunsterforce, *The Adventures of Dunsterforce*; Donohoe, *With The Persian Expedition*; Edmonds, *East and West of Zagros: Travel, War and Politics in Persia and Iraq 1913-1921*; Wilson, *Loyalties; Mesopotamia*.

⁸³ Edmund Ironside, *High Road to Command: The Diaries of Major-General Sir Edmund Ironside, 1920-1922*; (London: Leo Cooper, 1972).

⁸⁴ Sabahi, *British Policy in Persia*, 151.

agreement that would guarantee the absence of any forces hostile to Soviet Union on Persian territory.

The Majles approved the treaty with the Soviet Union, leaving the 1919 Accord standing out as conspicuously predatory toward Iran. The proponents of the 1919 agreement at the Foreign Office had been arguing that the situation in Iran was a zero sum game, with any gain made by the Soviets being a net loss to British influence and a direct threat to India's security. However, that alarmist argument failed to be convincing once Reza Khan, who was given the title of Sardar Sepah (Commander of the Army) by Ahmad Shah, had taken charge of imposing a vigorous project of centralization and modern nation building, and with the Soviet Union content to support his ascent as a 'progressive modernizer' standing against the reactionary feudal aristocracy. The subsequent developments proved that if there was a zero sum game in Iran it was between Reza Khan and Britain over sovereignty in Iran, and in particular, in Khuzestan's oil areas as we shall see below.

The third reason was the chronic weakness of the British economy in the post war era (see chapter 4) and its inability to maintain an extravagant and increasingly costly foreign policy in the region. The damage to the British economy by the devastating costs of the war was not as severe as other European powers, but it had left it significantly weakened in comparison with emerging rivals such as the United States and Japan. Between 1913-1929 the average annual growth of the real GDP of Britain increased a mere 0.7%, compared to the defeated Germany (1.2%), or the US (3.1%) and Japan (3.7%)⁸⁵. The US, in particular, had quickly turned from a war ally to a major creditor and economic competitor as soon as the conflict ended⁸⁶. Britain itself had changed from the largest international creditor prior to the war to the largest debtor by 1918 (see chapter 4). It had lent heavily to its war allies, but in order to continue financing the exorbitant costs of the war it had also resorted to borrowing heavily from the US. British debt dependency to the US grew from £62million in 1915-16 to over £1billion in 1918-19. In the same period overall state deficits expanded from £340million to £1.6 billion⁸⁷. As I have discussed in some detail in chapter 4, the overall ability of the British state had come under severe strain due to

⁸⁵ C. H. Feinstein, Peter Temin, and Gianni Toniolo, *The European Economy Between the Wars* (Oxford: Oxford University Press, 1997), 17.

⁸⁶ *Ibid.*, 35–37; Adelson, *London and the Middle East*, 134–137.

⁸⁷ Adelson, *London and the Middle East*, 136.

severe economic malaise after 1918, the rising unemployment among returning soldiers, the collapse of the massive industrial demand for military supplies, and the new pressures for social reforms and welfare economy that had become impossible to ignore in the radical era of mass politics.

As Britain had shifted to a total war economy the state had been forced to take direct control of significant segments of the national economy. Prior to the War in 1913 military expenditures were 4% of the net national product, but during the conflict this had raised tenfold, to nearly 40%⁸⁸, with some war related ministries, such as the Munitions directly owning and operating some 200 war related industrial plants and employing a significant labor force⁸⁹. The aftereffects of the war “... dealt the British overseas trade a savage blow from which it never recovered. In 1920 the volume of British exports of all kind was only 30% of what it had been in 1913”⁹⁰. This crisis was especially acute for the British manufacturing that depended heavily on international trade for nearly half of its products, especially in textiles, machinery, steel, and shipbuilding.

Under the circumstances maintaining a heavy military presence in Mesopotamia and Iran was proving beyond the means of the ailing empire. John Maynard Keynes who was acting for the Treasury at the time, objected that the £2.5 million monthly costs of maintaining the Iran policy, not counting the military stores being bought inside Persia, was simply not justifiable by the meager results⁹¹. The escalating clashes of popular discontent throughout the region, in Iraq, Syria, India, Egypt, Turkey, Jordan, as well as other parts of the Empire, such as Ireland were adding to the complexity of the situation⁹²; as were the rising demands of welfare and political reform in Britain itself (see chapter 4). The result was a forced ‘imperial adjustment’, which left Curzon’s policy in a precarious situation from which it could not recover.

The fourth reason was the unprecedented discord within the sprawling and increasingly dissonant British foreign policy administration. Despite his enormous personal prestige, Curzon’s Iran policy was being subtly and sometimes openly

⁸⁸ Feinstein, Temin, and Toniolo, *The European Economy Between the Wars*, 22, 25–29.

⁸⁹ *Ibid.*, 22.

⁹⁰ *Ibid.*, 61.

⁹¹ Olson, *Anglo-Iranian Relations during World War I*, 233; Adelson, *London and the Middle East*, 187–199.

⁹² Beinun, *Workers and Peasants in the Modern Middle East*.

resisted and opposed from all quarters. Aside from the Treasury's concern for the costs; the War Office which had to supply troops and oversee the implementation of the Accord was strongly opposed on financial and strategic grounds⁹³; as was the Government of India, which wanted a policy of conciliation to win back Persian confidence and convince them that Britain was not trying to replace Russian domination with its own. More interestingly, Herman Norman the Minister who had replaced Percy Cox in Tehran became the target of Curzon's ire because he was unable to strong-arm the approval of the Accord in the Majles, nor did he seem to be fully convinced that under the existing circumstances the Accord was practicable, or the ideal way to move forward.

In 1921 the Cossacks carried out a coup d'état, and in the process ended any illusion that anglophile politicians could get the Majles to approve the 1919 Accord. Reza Khan, the coup leader soon deposed his co-conspirator, the anglophile journalist Seyyed Zia alDin Tabatabaei. By 1923 Reza Khan was Prime Minister, in 1925 the Majles voted to end the Qajar dynasty and in 1926 he ascended the throne as the first Shah of the new Pahlavi Monarchy. While there is still some controversy over the degree of British collusion with the Coup there is little doubt that General Ironside the commander of the British forces in Iran at least knew about it beforehand if he had not actually instigated it in the first place; that Norman effectively approved it after it had happened; and Churchill the Secretary of War used the occasion as the final excuse to evacuate the remaining British troops from Iran as a way of reducing the costs as well as the danger of unwanted military embroilment with the Soviets. In Olson's summary "British interests in Iran survived the war, yet not a single policy employed between 1914 and 1919 worked as expected, few worked at all, and some made matters worse"⁹⁴. Effectively, the different layers of British administration had colluded to undermine the master plan of Curzon, Britain's greatest colonial Victorian authority on "the Persian Question", in order to accept, if not actively precipitate, the rapidly changing situation in Iran⁹⁵.

⁹³ Mahdavi, *Sahnehayee az Tarikh Mo'aser Iran*.

⁹⁴ Olson, *Anglo-Iranian Relations during World War I*, 250.

⁹⁵ Katouzian interestingly argues that General Ironside's personal records of his involvement with the coup are barred from public scrutiny, even today, and his published memoirs offer only a fraction of what he had noted down. See Katouzian, *State and Society in Iran*, 195–196; Ironside, *High Road to Command*; Sabahi, *British Policy in Persia*, 151–157; Bahar, *Tarikh-e Mokhtasar-e Ahzab-e Siasi-ye Iran (History of Iran's Political Parties)*, 1:61–87; Mahdavi, *Sahnehayee az Tarikh Mo'aser Iran*, 187–203.

The last factor to consider is APOC's position and the Company's reaction to the deteriorating situation after the war, and how it would affect the Company's long-term interests. By 1918 APOC directors had grown increasingly frustrated at the apparent lack of any long-term British Government oil policy⁹⁶. There was intense wrangling over the necessity of further capital investments to expand operations and improve facilities, and the nature and the extent of government intervention in new concessions in Iraq and other potential and promising locations. Lloyd George, the wily and pragmatic Liberal prime minister, ironically was insisting that all further expansion of oil operations ought to be controlled and subjected to government and national priorities and not to private interests, whereas the Company insisted on its own commercial focus and its responsibilities to its shareholders, and demanded freedom from any government interference in its operations. At issue was whether the main concern of APOC should be making profits or insuring the advance of geopolitical strategy according to government policies⁹⁷. Of course, the ultimate irony was that the government was the Company's majority shareholder, and when the Company had been in dire financial straights in 1912-14 it had actively sought government investment by presenting itself as an exclusively British enterprise, in service of national interests⁹⁸. But such double standards held little importance in the emerging post war era of cutthroat global oil and multi national corporate giants (see chapter 4).

In addition, the Oil Company had begun to read the writing on the wall and realized that the question of royalties and the terms of the D'Arcy Concession would become a major threat once the Iranian government had managed to put its house in order. The details of the protracted negotiations with the Iranian Government between 1918-1920 have been covered in the published literature extensively⁹⁹ and it is not necessary to repeat them here in detail. The main points of contention were the suspended royalties since 1915; the highly questionable accounting practices of the

⁹⁶ Ferrier, *History of the British Petroleum Company*, 1:350–396.

⁹⁷ Adelson, *London and the Middle East*, 98–100; Kent, *Oil and Empire*.

⁹⁸ Jack, "The Purchase of the British Government's Shares in the British Petroleum Company 1912-1914."

⁹⁹ Laurence Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.* (London: Anglo Iranian Oil Company (AIOC), 1938), 1–17; Ferrier, *History of the British Petroleum Company*, 1:358–371; Shafiee, "A Petro-Formula and Its World"; Elm, *Oil, Power, and Principle*; Movahed, *Nafte-e Ma va Masa'el-e Hoquqi-e An*; Nakhai, *Le Pétrole en Iran*; L.P. Elwell-Sutton, *Persian Oil: A Study in Power Politics* (London: Lawrence and Wishart, 1955).

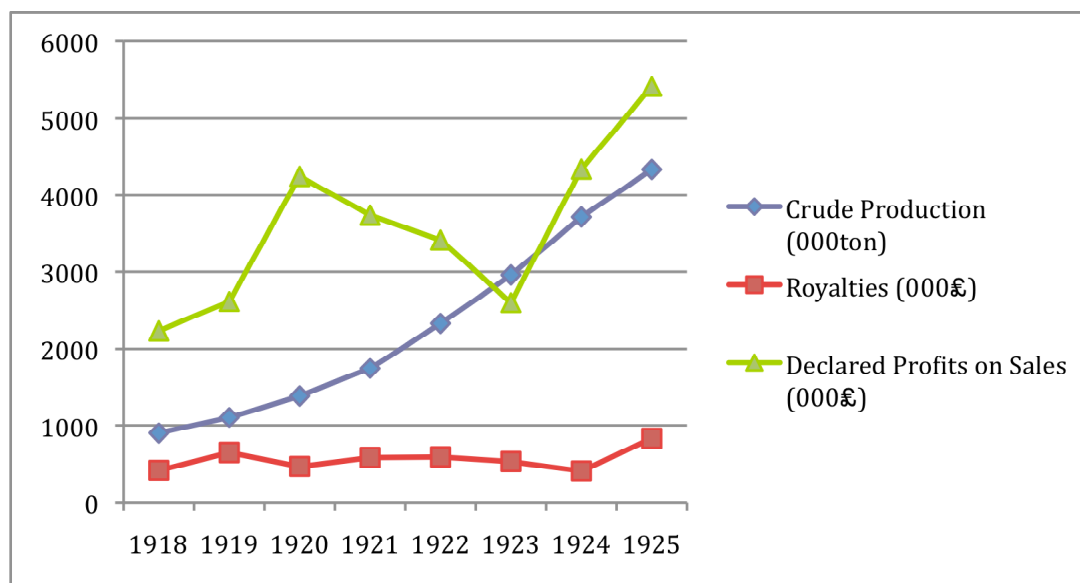
Company which were unveiled by independent consultants¹⁰⁰; the fact that the concession specified Iran's royalties as 16% of the net profits of the Company at fair market rates while APOC had been supplying the Royal Navy and Army enormous volumes of products at guaranteed preset prices; effectively meaning at highly subsidized rates¹⁰¹; and that the Company's subsidiaries outside Iran were being excluded from the calculation even though the Concession had made no such allowance. The Company's attempt to settle the differences and reach a final accord with the Iranian government while the latter was in a position of weakness and unable to negotiate effectively became a bone of contention with the Foreign Office, which wanted to use all possible coercive financial leverage against Iran to force the Majles to sign the 1919 Agreement. The payment of a lump sum by the Oil Company to Iran would have undermined White Hall's position by giving the Iranian government some urgently needed cash, while failing to do so would have put the Oil Company in danger of seeing the entire Concession put to question by the Iranian Government. As it were, the Company reached a final agreement with the Government of Iran in December 1920 and paid a lump sum of £1million as to settle outstanding claims¹⁰². While the Company was initially convinced that the matter had been settled, the Iranian Majles never ratified the agreement, and the bitter question of royalties and the terms of the concession remained unresolved, and became the major issue in recurring crises that rocked the relations of the Oil Company to the Iranian government in 1929-1933 and 1951-1953.

¹⁰⁰ Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.*, 6–7. William McLintock an expert accountant was hired to look into the Company's accounts in the process of arbitration with Iran to determine what ought to be included in the calculation of the 16% net profit. He was given access to the books related to operations in Iran, but none of the subsidiaries. This was before any agreement was reached about the status of these subsidiaries that Iran believed would have been a natural outgrowth of the operations in Iran and therefore ought to have been included. McLintock discovered at least 7 major discrepancies in the Company's accounts. He concluded that the Company was hiding behind interpretive subtleties in order to pay less royalty. See Nakhai, *Le Pétrole En Iran*, 50–52.

¹⁰¹ The 1914 agreement with the Admiralty stipulated that the Company would deliver 6mt of fuel oil over a 20 year period at 30s/ton at Abadan. In case of war the Admiralty would have first option on all production. The volume and prices were effectively not determined by any market rates or supply and demand. The prodigious demand during wartime and the guaranteed purchase by the admiralty made the Company hugely profitable and assured its survival among more established competitors. Ferrier, *History of the British Petroleum Company*, 1:288–290.

¹⁰² Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.*, 11.

Figure 1: APOC Crude Production, Profits, and Royalties Paid to the Iranian Government



Source: Ferrier (1982), 370, 234, 474

The changing political landscape and the transformation of the oil complex (1921-1926):

By the end of 1921 the situation in Iran had changed drastically, culminating in a ruthless drive toward centralization and state building spearheaded by Reza Sardar Sepah and his military followers and civilian allies. Once the momentum had been set, this process came to be widely supported, albeit with significant reservations regarding Reza’s authoritarianism, by Iranian nationalists, as well as by most but not all of the locally posted British diplomats, a significant section of White Hall, the Government of India, the Soviet government, and even APOC. They all saw in Reza Khan the alternative to what they all feared most – chaos, and what they had come to desire above all – order!

Percy Lorraine, who had replaced Norman as Minister in Tehran, sent a sober assessment to Curzon, which set the tone of British diplomacy toward Iran for the following five years. In his summary, which is worth quoting at some length, Lorraine stated that upon his arrival in Tehran at the end of 1921 the ruling cabinet, headed by Qavam al Saltaneh, with Reza Khan as Minister of War, was beset by lack of funds to conduct daily operations. He had found all Iranian politicians irresolute, cowardly,

and corrupt, except for Reza Khan, whose success in suppressing regional revolts in Khorasan, Gilan, and Azarbaijan had secured vital provinces bordering the Soviet Union. However, worryingly, he had found “America to be the latest craze” among the,

“Volatile people of this country, who seem incapable of realizing facts unless those happen to accord with their own opinions and desires, that salvation was coming from America; that America, in a spirit of disinterested altruism, was going to develop Persian resources to the immediate and enduring profit of Persia and the Persians; that American advisers would come and reorganize the country and make mincemeat of the grasping British and other rapacious foreigners”¹⁰³.

Lorraine went on to outline the backlash among Iranians to the “obnoxious” 1907 and 1919 Accords, while being dismissive of those objections, and the positive effects of Woodrow Wilson’s unsuccessful attempt to admit Iran to the Versailles peace conference. He warned that Britain now faced a completely new situation:

“In former days, when England was fighting an uphill battle against Russian penetration into Persia, a battle which the safety of our Indian Empire and the preservation of our general interests and influence in Asia imperiously dictated, the struggle had at least the characteristics of a duel between two gentlemen who had necessarily some community of instinct and tradition...[However] While Great Britain stands for the preservation of order and for political and economic stability, Bolshevik Russia cares for none of these things, and indeed disorder, unrest, and poverty are the most fruitful soil for the seed of communist gospel.”¹⁰⁴

The Minister’s greatest worry was the rising tide of nationalism: On the one hand there is positive aspect to nationalism, “the cry for education and the efforts of the government, however feeble to satisfy it... the craving for western learning and technical instruction”, and the negative effects this modernization has on the Shi’a clergy. But there was another more ominous side to nationalism, which he feared:

¹⁰³ Lorraine to Curzon, May 7, 1922, in Burrell, *IPD*, Vol.6; Pp. 345–351.

¹⁰⁴ *Ibid*.

“Besides the Russian activities we have to contend with the intrigues of Kemalists, Afghans, pan-Islamists and pan-Turanians, all directed against Great Britain... In the south, from the vast Indian possessions of the British Crown, the stronghold of the whole British position in Asia, where before the war the British rule was supreme and unquestioned, the Persian hears tales of rebellion, revolution, and riot, of Swaraj, non-cooperation and Gandhism; tags of inflammatory literature reach her, and are eagerly reprinted in her gutter press, crying out against ‘British oppression’, inciting the Indian ‘nation’ to rise and throw off its British chains...No account is taken of the peace and prosperity that British rule has brought to India... In the southwest, the British efforts to create an autonomous Arab state in Irak are represented as a further British attempt to enslave a Moslem population, and Baghdad is regarded as a fresh British outpost of colonization which aims at the absorption of Persia and the destruction of her independence”¹⁰⁵.

Lorraine noted that “social nationalism has always existed in Persia: what is significant is the rebirth of a political nationalism”. He concluded by a positive note: “It is my conviction that in this country, there is no fundamental animosity toward Great Britain...Our position in Persia is so inherently strong, and our interest in the country so demonstrably legitimate, that I am unable to believe that the temporary eclipse that we have suffered in prestige and influence can be of more than transient nature”¹⁰⁶.

British diplomatic assessments began to praise the personal qualities of Reza Khan and portrayed him as uniquely qualified to transform the situation in Iran¹⁰⁷. Lorraine’s approach turned out to be a radical departure for long held British approach to Iranian politics, as he suggested Britain to adopt a low profile and to avoid direct exposure and visible entanglement in Iranian affairs as a public relations measure¹⁰⁸.

In the following year the situation became more worrisome as the consequences of the centralization drive of the new government were becoming more evident. A military column sent in 1922 to Khuzestan was attacked and destroyed by

¹⁰⁵ Ibid.

¹⁰⁶ Ibid.

¹⁰⁷ “*Annual Report 1922*”, August 1922, in Ibid., Vol.6: 353–419, Section 11, 405–407.

¹⁰⁸ Ibid.

Kuhkiluyeh tribesmen in Shalil. The reaction in Tehran was immense, and the humiliating incident tarnished Britain and its allies, Sheikh Khaz'al and the Bakhtiyari khans, who were believed as somehow responsible for the outrage¹⁰⁹. As a result, Loraine began to realize that sitting on the fence was no longer an option, and he leaned toward convincing his superiors of the necessity of throwing Britain's support more decisively behind Reza Khan. In a key report to Curzon in May 1923, Loraine pointed out the dangerous situation in the south, in the vicinity of APOC's operations:

“The preoccupations of the central government [has left] the Lurs, Bakhtiyari, the Kashkai under Soulet-Dowleh, the Khamseh Arabs under Kawam al Mulk, the Sheikh of Mohammareh and all the petty tribal organizations in the hinterland of the Gulf ports in a state, if not of actual insubordination, but at all events of practical independence...This state of affairs was seriously aggravated by an intense Bolshevik propaganda...aiming at the destruction of British influence in Persia, and the acquisition of a dominant position for Russia through a process of disintegration of Persia”. The increasing imposition of military authority in the southwest after the Shalil incident has been a significant development. It “...is in my opinion incontestable that the result of these changes has been so far uniformly beneficial to British interests. The Persian government as such deserves no credit for what has been achieved; it has been entirely the work of one man, Reza Khan, the Minister for War...there is a very genuine element of patriotism underlying all that Reza Khan does”¹¹⁰.

Loraine argued that Reza's motives were altruistic, and that his aim was to lift Iran out of morass that the drifting and corrupt political establishment had gotten it into. Reza had the ability to close the Majles and overthrow the Qajars, but he refrained from a power grab because he was not driven by personal ambitions. Furthermore, “he has never shown indifference to established British interests”. He went on to summarize Reza Khan's agenda as follows:

¹⁰⁹ Burrell, *IPD*, Vol.6, p.384–385.; “*Annual Report 1923*” March 1923, *Ibid.*, Vol.6, 690–692.

¹¹⁰ Loraine to Curzon, 21 May 1923, in Burrell, *IPD*, Vol.6, 657–660.

“Persia will never be really independent and orderly until the whole country is brought under a single and unquestioned authority, which must necessarily be that of the National Government, and until civilian population has been disarmed, so that all physical power rests in the hands of the State. The State and not local chieftains &c. must assume the responsibility for protecting foreigners and their enterprises... [The State also demands absolute loyalty from its national citizens and rejects interference from all foreign enterprises] ... In the end Great Britain will find it much more easy to and satisfactory to deal with an organized Central Government having effective control of the country, than with a number of petty local potentates”, who are unable to resist the new military without foreign support. The ominous conclusion being that “it would be a calamity if Great Britain opposed the logical extension of the policy in the south, and such opposition would seem totally unnecessary as the [Iranian] Imperial Government does not desire to interfere with existing British interests”¹¹¹.

Lorraine concluded his pivotal assessment by acknowledging that British diplomacy faced a fork in the road: “I still incline, however to the opinion that sooner or later we shall have to decide whether to oppose the policy of centralization, implying the necessity of opposing it by force in the last resort; or to support it and endeavor to guide it into safe channels by the judicious use of our support. I am myself strongly in favor of the latter course. *It is clear that the whole crux of the situation lies in [Khuzestan], and that the test case is the Sheikh of Mohammerah*” [my emphasis added]. The British Minister then outlined a scenario where if the central government were to press Khaz’al for his arrear land taxes and demand his future submission, but the latter were to resist, then the current “tranquil” state of Khuzestan would be engulfed in military conflict affecting APOC negatively. In that case either tribal mobilization against the central government would lead to warfare, or Britain would have to step in directly to prevent the military’s incursion into Khuzestan, both “calamitous” scenarios.

“My general conclusions are these: Reza Khan’s policy, if carried out without unnecessary friction or disturbance, would relieve us of many responsibilities

¹¹¹ Ibid.

which we have hitherto borne, and make Persia an altogether more comfortable neighbor; the only thing we need be really anxious about are the safety of the oil-fields and the special position of the Sheikh of Mohammerah”.¹¹²

Thereafter the events moved very fast. After the Shalil incident the writing was on the wall. APOC tasked Dr. M. Young, the Company physician, who had often played the crucial role of negotiator (see chapter 3) with various Iranians in the past, to visit Tehran in the summer of 1922 to meet Reza Khan in order to evaluate the situation and make a recommendation. Young sided with Loraine’s assessment that the Company was better off to cast its lot with the central government and rely on its protection¹¹³. A year after the coup the central government had informed APOC that it considered all its agreements with local magnates null and void¹¹⁴. In November 1922 Reza Khan had a meeting in Bushehr with T.L. Jacks and Arnold Wilson, who was now Company’s director in Mohammareh after having served as acting High Commissioner in Iraq, and left them in no doubt that he intended to impose Tehran’s authority on Khuzestan. Wilson replied that APOC was only interested in its own operations and not in local politics and so long as its security was assured it would stay out of power struggles¹¹⁵.

APOC and British diplomats were still convinced that the status quo in Khuzestan was fairly secure, since Khaz’al was assessed to have the command of a tribal force of an estimated 30 thousand men, far more than anything the central government could muster. Khaz’al attempted to create a coalition of Bakhtiyari, Arab, Qashqai and Lur forces to resist the military’s southward incursions. Khaz’al extended to Ahmad Shah who had grown uneasy with Reza’s ambitions. He constantly reminded APOC and the British envoys of their obligations to him which had been renewed in 1903, 1908, 1909, 1910, and 1914, on each occasion pledging him their support against the central government (see chapter 3)¹¹⁶. He counted on the belief that renegeing on those public pledges would irrevocably harm British prestige

¹¹² Loraine to Curzon, 21 May 1923, in Burrell, *IPD*, Vol.6, 657–660.

¹¹³ Sabahi, *British Policy in Persia*, 162.

¹¹⁴ Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.*, 12–14.

¹¹⁵ *Ibid.*, 14–15; Ferrier, *History of the British Petroleum Company*, 1:390–394.

¹¹⁶ Sabahi, *British Policy in Persia*, 160; L.P. Elwell-Sutton, *Persian Oil: A Study in Power Politics* (London: Lawrence and Wishart, 1955), 20–21; Elm, *Oil, Power, and Principle*, 12–15.

across the Persian Gulf where numerous Arab magnates and sheikhs had entered into similar “trucial” agreements since the 19th century, and he appealed to opposition parliamentarians in Tehran in the name of Constitutionalism and against Reza’s brazenly authoritarian behavior¹¹⁷.

Despite desperate British attempts to mediate, a confrontation became inevitable when Khaz’al defied the central government’s demand for the speedy payment of his belated taxes, and the added affront of calling into question some of the royal land grants bestowed upon him by the late Muzzafar al Din Shah. Apprehensive of the outcome Loraine kept asking the Government of India and White Hall to commit troops and battleships to Basra as an intimidating show of force to deter the Iranian army, but his superiors remained wary of the costs and the risk of a potential confrontation until it was too late. In 1924 Iranian army troops broke the resistance of Lur tribes and poured into Khuzestan from the north, as well as from the south. Reza visited Ahvaz at the head of his troops and Khaz’al went there a broken man to submit to his authority. Khaz’al was promised immunity, but soon after he was arrested and deported to Tehran to die a few years later in poverty and under suspect circumstances¹¹⁸. His properties were seized and his political court was disbanded¹¹⁹. The province was put, for the first time, under the military rule of an ambitious officer, Fazlullah Khan (later Zahedi), the army general that later led the 1953 coup against Mossadeq. Army garrisons totaling nearly 10 thousand troops were

¹¹⁷ Bahar, *Tarikh-e Mokhtasar-e Ahzab-e Siasi-ye Iran*, 1:103–104; Seyyed Hassa Taqizadeh, *Zendegi-ye Toufani; Khaterat-e Seyyed Hassan Taqizadeh*, Ganjineh Iran va Iranian (Los Angeles: Mohammad Ali Elmi, 1990), 344–347; Yousefi, *Tarikh-e Khorramshahr*, 192–219; Ahmad Latifpour, *Dezful dar Gozar-e Zaman* (Tehran: Farhang-e Maktoub, 2008), 153–156. On 21st November 1914 Sir Percy Cox, Resident of the Persian Gulf, gave the following written assurance to Khaz’al: “I am now authorized to assure your Excellency...that whatever change may take place in the form of the Government of Persia...His Majesty’s Government will be prepared to afford you the support necessary for obtaining a solution satisfactory both to yourself and to us in the event of any encroachment by the Persian Government on your jurisdiction and recognized rights or on your property in Persia...These assurances...shall hold good so long as you...continue to be guided by the advise of his Majesty’s Government and to maintain an attitude satisfactory to that Government vis-a-vis the Persian Government we shall do our best to maintain your Excellency in your present state of local autonomy”, *Persia- Annual Report, 1926* in Burrell, *IPD*, Vol.7, 571.

¹¹⁸ “*Persia - Annual Report 1924*”, Burrell, *IPD*, Vol.7, 194–195, 231–232; Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.*, 15–17; Sabahi, *British Policy in Persia*, 159–182; Mostafa Ansari, “The History of Khuzistan, 1878-1925: A Study in Provincial Autonomy and Change” (PhD Dissertation, University of Chicago, 1974), 321–380; William Strunk, “Britain, Persia, and Shaykh Khaz’al: The Genesis of a ‘Special Relationship,’” in *Islamic and Middle Eastern Societies*, ed. Roger Olson (Vermont: Amana Books, 1987); Mohammadi Yousefi, *Tarikh-e Khorramshahr* (Tehran: Nil, 1971), 192–219; Michael Zirinski, “Imperial Power and Dictatorship: Britain and The Rise of Reza Shah 1921-26,” *International Journal of Middle East Studies* 24, no. 4 (1992): 639–663.

¹¹⁹ *Persia- Annual Report 1925*, Burrell, *IPD*, Vol.7, 387–391.

posted throughout the province although, significantly, the majority were stationed in the north and the west and well away from Company areas, with 5000 garrisoned in Shushtar, 3500 in Ramhormoz, but only 130 in Ahvaz, 100 in Mohammareh, and a mere 30 in Abadan. The Oil Company's official record states "Reza Khan achieves success without harm to APOC"¹²⁰. A diplomatic report from Mohammareh to the Foreign Office in London stated "The Oil Company is no longer concerned with the safety of their operations in the area. The local manager reported that he no longer sees any dangers to the pipelines and the oilfields [from tribal forces attempting to sabotage them in response to the army's incursion] as Reza Khan's army was about to bring the tribes under its control"¹²¹

While the changes to the status quo, such as the unceremonious abandonment of the old ally Khaz'al, were accepted as the best possible option under the circumstances¹²² nevertheless, there was the cold realization that APOC was now for the first time directly subject to the authority of the central government. Given the fluctuating political situation in Iran and the region, the fear of the consequences of a shift in the central government's political orientation against Britain and for the Soviet Union now suddenly took on a different dimension¹²³. Nevertheless, this risk was considered worthwhile by Britain if there was the assurance that the economically and geopolitically overstretched Empire could now rely on the authority of the Iranian central state to maintain road and transport security, to curtail anti British propaganda in the press and the Majles, to impose security on the western frontiers of India, and to guarantee labor discipline and general safety in the oil areas¹²⁴.

By 1925 Reza Khan's victory in the south seemed complete, at least against Khaz'al and the Bakhtiyari Khans, as well as against any residual British unease over the radical changes in the balance of power and their long cultivated relations. This was a major achievement and he made the most of it in a bombastic style¹²⁵, and used the occasion, literally, as a crowning victory. The same year the Majles deposed

¹²⁰ "Persia- Annual Report 1924", Ibid., Vol.7, 232; Lockhart, *The Record of the Anglo-Iranian Oil Company, Ltd.*, 16.

¹²¹ Quoted in Sabahi, *British Policy in Persia*, 248.

¹²² *Persia- Annual Report 1925*, Burrell, *IPD*, Vol.7, 387–391.

¹²³ Sabahi, *British Policy in Persia*, 172.

¹²⁴ Ibid.

¹²⁵ Reza Shah Pahlavi, *Safarameh Khuzestan* (Tehran: Markaz-e Pajouhesh va Nashr-e Farhang-e Siasi-e Dowran-e Pahlavi, 1924).

Ahmad Shah, and Reza prepared to be crowned as the head of the new Pahlavi dynasty in April 1926¹²⁶. The Oil Company rushed to prepare the ground for the dynastic change and a possible royal visit to Khuzestan. But this was to be no ordinary official function. A new era was about to begin for the oil complex and everyone was acutely aware and apprehensive about the fact that they were stepping into an unpredictable and indeed a new and revolutionary situation. APOC went into a yearlong preparation to review all aspects of Company operations culminating with a planned visit by John Cadman, the Company's acting chair, to attend the royal coronation and to hold direct discussions with the new government about the future of Company-State relations.

Iranian statesmen similarly began energetically to lay the ground for extending the fledgling government's administrative authority over Khuzestan, a province that hitherto had lain virtually beyond the direct control of the central government since the 18th century¹²⁷. These included establishing new administrative institutions such as municipalities, police, gendarmeries, border guards, offices for the registration of property, contracts, and personal data; and new social services such as public schools, and public health and sanitation.

Very quickly, the circumstances changed and relations between the Oil Company, the new Iranian central government and its local representatives, and the British government began to sour and deteriorate. Sir Robert Clive who had replaced Sir Percy Loraine as the new Minister in Tehran (Clive served in Iran from 1926-1931; replacing Loraine who had served from 1921-1926) began his Annual Report to the new Foreign Secretary Austen Chamberlain with words that became all too frequently repeated in diplomatic reports over the next 15 years: "The year 1926 has proved a disappointment. So much was hoped of it, so little has been achieved. Our main disillusion has been centered around the character of Reza Shah"¹²⁸.

Clive's narrative painted an altogether different portrait from the one presented by his predecessor: It turned out Reza was not 'enlightened' as Loraine had stressed, but a boor, an opium addict, a military tyrant in the making, an ingrate. He

¹²⁶ *Persia - Annual Report 1925*, Burrell, *IPD*, Vol.7, 357–362.

¹²⁷ Ahmad Kasravi, *Tarikh-e Pansad Saleh Khuzestan* (Tehran: Gothenberg, 1951); Mohammad Ali Emam Shushtari, *Tarikh-e Joghrafiyayi-e Khuzestan* (Tehran: NP, 1952); Khazeni, *Tribes and Empire on the Margins of 19th Century Iran*; Ansari, "History of Khuzistan"; Kashani-Sabet, *Frontier Fictions*; Shahnavaaz, *Britain and the Opening of South-West Persia 1880-1914*.

¹²⁸ *Persia- Annual Report 1926*, 27 January 1927, R. Clive to Austen Chamberlain, in Burrell, *IPD*, Vol.7, 543–606.

had been ungracious in snubbing Loraine who left the country after years of service during which he had proved himself to be “one of the staunchest friends that Persia ever possessed”. Iranians had also ignored other gracious acts of British goodwill, such as withdrawal of troops from the Persian Gulf. “The internal condition of Persia during 1926 has been characterized by friction in almost every organ of the State”. There had been several tribal uprisings in the north and western provinces; there was constant squabble between the Majles, the Court, and the cabinet, as well as between military and civilian provincial governors¹²⁹. Nevertheless, Clive felt that probably this was the best that Britain could hope for since, even if her position and her interests had not been strengthened, the Soviets had not made any noticeable gains either. Nor had the fearful disintegration of Iran come about. “It is true that the Shah has proved a disappointment, but at least he is still there: he may possibly improve; in any case he is better than the Kajars, infinitely better than a republic...Although the Persians much dislike us, they are still sufficiently afraid of us not to go too far. They have attempted a few pinpricks, but they have not seriously endeavored to attack our vital interests, the Imperial Bank, the telegraphs, the Anglo Persian Oil Company have prospered exceedingly...So long as our essential interests can be maintained there seems no real reason why HMG (as distinct from His Majesty’s Legation) need be unduly disturbed by the conditions in Persia”¹³⁰.

Thus, by 1927 Britain seemed in a relatively favorable situation. Its main rivals in Iran and the region had had setbacks. The Soviets had blocked commerce with Iran after it had refused the request to grant them exclusive privileges for the fisheries on the shared Caspian Sea. The US attempt to gain a foothold in oil exploration in the central and northern parts of Iran had also ended in a disappointment, as the American combine Sinclair Oil withdrew in 1924 after vociferous resistance from APOC and the British Government. The suspicious murder of an American military attaché, Major Imbrie, by a mob in Tehran had served as final excuse for the Americans to extricate themselves claiming fears for their safety¹³¹.

¹²⁹ Ibid. 545

¹³⁰ Ibid. 547

¹³¹ *Persia Annual Report, 1924*, Burrell, *IPD*, Vol.7, 178–179; Michael P Zirinsky, “Blood, Power, and Hypocrisy: The Murder of Robert Imbrie and American Relations with Pehlavi Iran, 1924”, *International Journal of Middle East Studies* 18, no. 03 (1986): 275–92

Another inconvenient rival, Arthur Millspaugh the American financial adviser who had been in charge of reforming Iran's financial machinery, was by this stage in a weak position as his contract was coming to an end, and his heavy handed and uncompromising manners had managed to alienate the Iranian elites as well as Reza Shah. The political elite initially had counted on Millspaugh to attract American investment to Iran as a way of reducing the chronic historic dependence on loans and financing by British and the Russians/Soviets; and to spur on the much desired economic development and industrialization. Instead, Millspaugh had insisted on balancing the books and forcing the government to live within its means¹³².

This approach did not sit well in an impoverished country that had been enduring chronic hardships, famine, epidemics, and violence; with an empty treasury, and an elite who saw modernization and financial independence as the only practical salvation. The food crises of 1922 and 1925 further tarnished the image of both the American advisers, but also the English diplomats and oilmen. Severe hardships had not ended with the war, and severe droughts in 1922 and especially in 1925 had a ruinous effect on crops and food supplies. This was due to a dearth of pack animals that were practically the only means of transportation on unsafe roads that were in horrible condition¹³³. Famine devastated the countryside in areas affected by the drought, and seriously jeopardized the security of cities.

The 1925 drought and famine were especially severe and affected Tehran, Semnan, Kashan, Qom, Qazvin, and Hamadan. When it became clear that sufficient food had not been stored in the cities the population panicked and reacted with fury. Food security fell under the purview of the Finance Ministry, which controlled grain purchases and regulated imports as a way of balancing the budget. As British diplomats gleefully reported, the food crisis reflected badly on the American advisers. But the glee was misplaced. The 1922 famine had coincided with Curzon pressuring the Imperial Bank against extending any credit to Iran to force the Majles to ratify the

¹³² Millspaugh, *The American Task in Persia*; Mojdehi, "Arthur C. Millspaugh's Two Missions to Iran and their Impact on American Iranian Relations," 38–77; Amin Banani, *The Modernization of Iran, 1921-1941*. (Stanford: Stanford University Press, 1961), 116–117; Naficy, "L'Impot et la Vie Economique et Sociale en Perse."

¹³³ On the state of roads and transportation at the time see Issawi, *The Economic History of Iran, 1800-1914*, 157–160, 195–205; A. S. Sventitski, "Transport Routes in Persia," *Journal of the Central Asian Society* 14, no. 2 (1927): 203–22. For an over-optimistic and inadequate assessment that does not reflect the severity of the situation after WWI see Alexander Melamid, "Communications, Transport, Retail Trade and Services," in *Cambridge History of Iran; the Land of Iran*, vol. 1 (Cambridge: Cambridge University Press, 1968), 532–533, 554–557.

1919 Accord. In that case, with “the danger of the complete collapse of Persia into anarchy for ready want of money...and the particularly urgent of money to purchase grain to avert a famine in Tehran [had] provided a compelling reason to relax the embargo”¹³⁴. But the resentment against British blackmail had only served to further embitter relations.

The more severe famine of 1925 reflected badly on Millspaugh, but it also tarnished the image of APOC and increased resentment about the relative affluence and the facilities that were available in Company areas compared to the rest of the country, and later on became another grievance held against the Company. To deal with the food crisis of 1925 the government decided to import some 250 trucks and transport vehicles from abroad, in order to speed up emergency food delivery from the India¹³⁵. The costs were high, at 18million Qran, or 8% of government revenues that year. In the process, the undeveloped state of roads and transport infrastructure and fuel provision throughout the country was made adamantly clear¹³⁶. In that instance Britain managed to project a more positive image through the sale of grain from India and agreeing to extend emergency credit through the Imperial Bank. However, the fact that APOC operated some 600 vehicles in its Khuzestan operations, and that motor fuel from Iranian oil was amply available there and at the disposal of the British military but not in the rest of the country reflected poorly on the claim that the oil industry was benefiting ordinary Iranians.

Millspaugh’s efforts at financial reform also caused friction with the landed and commercial elite who resented the newly imposed taxes, or the vociferous demands from them to pay their arrear taxes to balance the government budget¹³⁷. In particular, the modern military that Reza Shah was building was devouring around 40 percent of the annual budgets, compared to a meager 6 percent for the Ministry of Interior and 3 percent for the Ministry of Education¹³⁸. Millspaugh helped devise a

¹³⁴ *Persia, Annual Report 1922*, Burrell, *IPD*, Vol.6, 381.

¹³⁵ *Persia, Annual report 1925*, Burrell, *IPD*, Vol.7, 384

¹³⁶ *Persia, Annual Report 1926*, , Burrell, *IPD*, Vol.7, 581-582

¹³⁷ The new machinery of record keeping and taxation was a double-edged sword. It was used against regional established magnates, such as Sheikh Khaz’al and the Bakhtiyari Khans with great effect. Millspaugh tried to establish an apolitical technocracy in the financial administration, but of course that proved impossible and unrealistic under the circumstances. By late 1920s a new landed class of urban origin had emerged from among the military officers and close associates of the government who had used preferential treatment during the sale of state lands (Khalesehjat) after much of the customarily held territories of the various ashayer (tribes) were declared government property. See chapter 3, and Ann K S Lambton, *Landlord and Peasant in Persia* (London: IB Tauris, 1991).

¹³⁸ *Persia, Annual Report 1925*, Burrell, *IPD*, Vol.7, 383.

consumer tax on tea and sugar, both vital items of popular consumption especially among the poor, as an alternative means of financing the historically desired transnational railway scheme¹³⁹. This scheme placed the burden of the hugely expensive transnational railroad project on the poor for whom sugar and tea were staple foods and a major source of energy in their meager daily diets¹⁴⁰. Needless to say the measure did not endear the American advisers to the public, but was approved by the Majles in 1925. However, the days of American financial advisers were coming to a close. By 1927 Millspaugh was offered a renewed contract with substantially reduced powers, which he refused to accept.

Meanwhile, Iranian debts to Britain had been once again on the rise, and had reached £4.5 million by 1924¹⁴¹. As Cox had predicted, once the situation in Tehran became relatively more stable after the 1921 coup, the Iranian government began, at first cautiously but then with increasing confidence, to suggest that it intended to review all existing foreign concessions. The government's argument was that Qajar rulers had granted these concessions during the period of arbitrary rule, but after the Constitutional Revolution the Majles had not subsequently approved them to bestow constitutional and legislative legitimacy. In other cases the terms of the concession had not been honored since the resources had remained undeveloped within the agreed timeframe. Although the Iranians assured APOC and British diplomats that these legal measures were not aimed at them, nevertheless Britain did not hesitate to make counter bluffs about collecting arrear debts, and tried to use a mixture of carrot and stick to forestall any such future threat. To appease matters Britain offered to reduce Iran's overall debt by almost half, on the condition that Iran would guarantee debt repayments by linking it with its most steady sources of revenue, the oil royalties or customs revenues¹⁴². This would have meant that any move to question the terms of the oil concession would have triggered a demand for immediate repayment of loans and blocked the government's main sources of foreign currency. The issue was temporarily postponed, but disagreements remained and mutual resentments kept building up around a number of vexing matters that remained unresolved, mainly the

¹³⁹ *Persia, Annual Report 1924*, Burrell, *IPD*, Vol.7, 191-193; *Annual Report 1925*, 381-382; *Annual Report 1926*; 557

¹⁴⁰ Patrick Clawson, "Knitting Iran Together: The Land Transport Revolution 1920-40," *Iranian Studies* 26, no. 3-4 (1993): 235-50.

¹⁴¹ *Persia, Annual Report 1924*, Burrell, *IPD*, Vol.7, 407, 413

¹⁴² See *Persia- Annual Reports 1926*, Burrell, *IPD*, Vol.7, 545-557, 572-573.

nature and amount of oil royalties, debt dependence, border issues aggravated by Britain's relations with the vassal states and protectorates it had carved out in Mesopotamia (Iraq) and set up in the Persian Gulf (Kuwait, Bahrain, and the city state sheikhdoms), as well as its allies in southern Iran, especially the Bakhtiyari Khans and Shykh Khaz'al.

Conclusion: The National Context of the Oil Complex in the Post WWI Era

The revolutionary years following WWI witnessed an international trend initially toward greater demand for the expansion of political representation and social justice (see chapter 4). These shifts were manifested sometimes through radical revolts, but more often through expanded franchise, parliamentarianism, and trade unions. What the rise of mass politics, and especially the labor movements, managed to accomplish was to put "the social question" on the political map in a manner that could not be ignored by elites and governments. However, by the middle of the decade the trend toward pluralism had been blunted, if not reversed by a new inclination toward embracing centralization and authoritarianism in the name of law and order¹⁴³ was manifested internationally. In Britain this reaction came to a head following the 1926 general strike. However, the reluctant movement toward the establishment of welfare state institutions continued there after the Labor Party and trade unions had reached a political compromise (chapter 4). In Iran, as we have discussed in this chapter, the complex geopolitical calculations, and perhaps an exaggerated fear of 'chaos' in the form of regional autonomous movements, laid the ground for the widespread support among the elite of Reza Shah's authoritarian centralism.

In postwar Britain, the state moved toward relative accommodation with subaltern classes, but this flexibility at home did not carry over to her colonial dominions and her spheres of influence, at least not until 1929 and the passage of the Colonial Development Act¹⁴⁴. In the Middle East different authoritarian nationalist regimes emerged almost simultaneously in Saudi Arabia (1926), Turkey (1923-1924),

¹⁴³ Charles S. Maier, *Recasting Bourgeois Europe: Stabilization in France, Germany and Italy in the Decade after World War I* (Princeton University Press, 2011).

¹⁴⁴ After 1929 the notion of (economic) 'development' was articulated as a new set of policies and approach to non-European dominions. See George C. Abbott, "A Re-Examination of the 1929 Colonial Development Act," *Economic History Review* 24, no. 1 (1971): 68–81; Frederick Cooper and Randall Packard, eds., *International Development and the Social Sciences: Essays on the History and Politics of Knowledge* (Berkeley: University of California Press, 1998), "Introduction", 1–44 .

and Iran (1921-1926); or were assembled out of the fragments of the Ottoman Empire under the proto-colonial patronage of the League of Nations, like Iraq, Jordan, and Syria. These ‘new’ nation-states shared similar agendas in ensuring territorial integrity, building the institutions of the modern nation-state, embracing programs of bureaucratic centralization backed by a unified military apparatus¹⁴⁵.

As a result, Britain had few qualms in abandoning its local allies and long held arrangements in southern Iran in favor of supporting Reza Shah’s ruthless centralization because it considered the alternatives to be worse and, as we have discussed in this chapter, it found its own ability to engineer events and situations unexpectedly limited by the strength of the popular and elite resistance in Iran; its own economic and strategic weakness; and by the surprising extent of discord and disagreement within the ranks of its own policymakers. While the official argument was that the unsavory alternatives to Reza Shah were chaos, disintegration, and Soviet victory; nationalism, radical egalitarianism, and mass politics were seen as equally threatening to British interests. These counter-imperial movements were especially worrisome as they seemed to cross-fertilize across borders and contaminate the subject populations in the far corners of the empire¹⁴⁶. Furthermore, after the establishment of the League of Nations and the principle of national self-determination, a strategic and ideological predilection had emerged among the big powers toward the establishment of large scale “viable nation states” under the tutelage of colonial powers¹⁴⁷. As a result, British foreign policy was relatively at ease abandoning its erstwhile regional allies, and committing itself to nationalist

¹⁴⁵Touraj Atabaki and Erik Jan Zürcher, eds., *Men of Order: Authoritarian Modernization under Atatürk and Reza Shah* (London: I.B. Tauris, 2004); Cronin, *The Army and the Creation of the Pahlavi State in Iran, 1910-1926*; Stephanie Cronin, *Tribal Politics in Iran: Rural Conflict and the New State 1921-41* (London: Routledge, 2007); Abrahamian, *Iran Between Two Revolutions*; Banani, *The Modernization of Iran, 1921-1941*; Beinlin, *Workers and Peasants in the Modern Middle East*; Gelvin, *The Modern Middle East*.

¹⁴⁶ Alan Lester, “Imperial Circuits and Networks: Geographies of British Empire,” *History Compass* 4, no. 1 (2006): 124–41.

¹⁴⁷ Iraq was the case in point, where the three disparate Velayets of Mosul, Baghdad, and Basra were stitched together to shape a kingdom for Faisal after he had been expelled from Syria. See Reidar Visser, *Basra, the Failed Gulf State: Separatism and Nationalism in Southern Iraq* (Berlin: LIT Verlag, 2005); Charles Tripp, *A History of Iraq* (Cambridge: Cambridge University Press, 2007), 1–74; Hanna Batatu, *The Old Social Classes & The Revolutionary Movement In Iraq* (Saqi Books, 2004), Part I; Reidar Visser and Gareth Stansfield, eds., *An Iraq of Its Regions: Cornerstones of a Federal Democracy?* (Columbia University Press, 2007); Gelvin, *The Modern Middle East*, 171–205; William L. Cleveland and Martin Bunton, *A History of the Modern Middle East*, 4th ed. (Boulder: Westview Press, 2008), Chs.9–12.

centralizing elites so long as they were anti-communist, and even if they were mildly anti British.

This shift toward supporting authoritarian centralization had significant repercussions for the local society in Khuzestan, and affected the oil operations there. Before a decade has passed after the end of the war the local magnates, the Bakhtiyari Khans and Sheikh Khaz'al, who had been closely allied to APOC and the British Government were either removed by the central government or had witnessed their political sway begin to decline permanently. However, the change was not limited to the removal of individual members of the local elite, but had far reaching and fundamental repercussions for the social and economic life in southern Iran. The pastoralist and tribal social relations and the political economies that were structured around these magnates had already been severely undermined by the devastations caused by the war and its aftermath. The removal of the tribal leadership, the increasing sway of oil capitalism and market relations, and the aggressive bureaucratization of everyday life as the central government began to take hold of the province, further accelerated the process of decline of pastoral and agrarian tribal societies. The institutions and practices of the modern nation state and extractive capitalism created new geographic and political economic webs that further connected southern Iran to larger national and global flows of capital and the upheavals that accompanied it, such as the massive movements of populations, increasingly marketized economic life, new administrative and institutional exercises of power, not to mention unfamiliar and novel scientific, political, and cultural ideas and practices. However, this integration came at the expense of the closure and violent demise of existing social and economic connections and indigenous modes of collective life.

The historical and revolutionary changes discussed in this chapter contributed to the transformation of the built environment of Abadan, and fundamentally altered the spatial and social relations between the Oil Company, its employees and oil workers, the diverse local population, government bureaucrats, and British diplomats. By the mid 1920s APOC suddenly found itself confronted directly with the central government instead of Sheikh Khaz'al. Likewise, British diplomats saw their sway over southern Iran suddenly challenged by the bureaucracy and military representatives of Tehran. The populations in the fast growing oil areas such as Abadan were a mixture of indigenous people as well as migrants coming there pulled by the attraction of wage labor and a commodified economy, or pushed there by

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destitution and the destruction of their former modes of life. The urban built environment of oil in Abadan was ultimately shaped by the practices and the frictions between these social actors, which took place in the shadow of larger global and national currents during this formative period.