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COUP D'ÉTAT AND INDUSTRY DYNAMICS: THE CASE OF ANGLO IRANIAN OIL COMPANY 1901-1979

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Abstract

This paper explores the critical role of the oil industry in shaping British imperial ambitions in the Middle East during the 20th century, focusing on Iran and the Anglo-Iranian Oil Company (AIOC). Following the Great War, oil became essential to the global economy, and Britain, with limited domestic reserves, sought control over foreign oil sources, particularly in the Middle East. The 1901 D'Arcy concession granted Britain significant control over Iran's oil, which became central to its geopolitical strategy. By 1951, Iranian Prime Minister Mohammad Mossadegh's nationalization of AIOC marked a pivotal moment, as it asserted Iran's sovereignty and sought to reduce foreign exploitation. However, this move directly challenged British economic interests, sparking the Iranian oil nationalization crisis. Britain responded with diplomatic and economic measures, culminating in the 1953 CIA and MI6-backed coup that overthrew Mossadegh and reinstated the Shah, maintaining Western access to Iranian oil. The paper examines how Britain's control over Iranian oil, backed by the AIOC, became a tool for exerting influence in the region, particularly during World War II and the Cold War. The nationalization of AIOC and the subsequent coup illustrate the tension between national sovereignty and foreign corporate interests. The study highlights the long-term consequences of this intervention, which undermined Iran's democratic movements and reinforced autocratic rule under the Shah. The 1953 coup is a key example of how economic and strategic imperatives can drive foreign intervention, leading to enduring instability and shaping the trajectory of Iran's political and economic development in the years that followed.

Keywords: Oil Industry, Anglo Iranian Oil Company (AIOC), Coup D'etat

1. Introduction

The oil industry was vital to the British Empire following the Great War, and by the 1950s, no single raw material was as critical to the global economy as oil. Due to the uneven distribution of known oil deposits globally, many countries, including Britain, had to rely on external supplies to meet their needs (Bucheli, 2008). This combination of relative scarcity and high importance made oil a politically contested issue. Britain, aware of its limited domestic oil resources, focused on securing access to oil in remote parts of the world. From the early days of the Royal Navy's

transition to oil, Admiralty planners were keen on securing foreign oil reserves, a priority that shaped British foreign policy and industrial strategy (Jones, 1981). This urgency led Britain to extend its imperial reach, particularly in the Middle East, where strategic interests in oil were paramount. Persia (renamed Iran in 1935) was one such region where Britain established significant influence, leveraging control over the country's primary export, oil (Bamberg, 2000, 1994).

Britain's involvement in Iranian oil dates back to the D'Arcy concession of 1901, the first in a series of agreements that were periodically renegotiated to align with the expanding oil industry and rising global demand. Control over Iranian oil was primarily exercised through the Anglo-Persian Oil Company (APOC), later renamed the Anglo-Iranian Oil Company (AIOC) in 1935. The AIOC was not just an economic asset; it was a strategic tool that provided Britain with significant leverage over Iran, economically and politically (Jones, 1981). The British government's strategic decision to use oil, rather than coal, to power its naval fleet underscored the criticality of maintaining foreign oil supplies and justified governmental intervention in the industry, given its pivotal role in the global economy (Bostock and Jones, 1989).

During the first half of the twentieth century, the AIOC was deeply intertwined with the political and economic fabric of Iran, significantly shaping the region's political landscape and influencing British and U.S. foreign policy in the 1950s. Nationalism and democratic aspirations were emerging in Iran, complicating British influence and control. The history of British involvement in Iran is replete with instances of misinformation and controversial policy decisions, reflecting the complexities of the time (Mokhtari, 2008). Marsh (2001) notes that the British government utilized the AIOC as a foreign policy instrument to combat broader concerns such as communism and to reinforce the Anglo-American alliance. Other scholars argue that the AIOC was a continuation of British imperialism, as British officials believed that dominance in the oil market was essential to safeguard the nation's economic stability (Bill and Louis, 1988).

Building upon the themes of oil nationalization, the case of BP's adaptation to nationalization policies can be further illuminated by referencing Elm's detailed examination of Iran's oil nationalization and its aftermath (Elm, 1992). Elm's study highlights the geopolitical and economic turbulence that followed such significant policy shifts, offering insights into the broader implications for multinational corporations like BP during similar periods. Additionally, Ferrier's analysis of the Anglo-Iranian oil dispute provides a view of the relationships and negotiations that shaped the outcomes of oil nationalization (Ferrier, 1988).

The nationalization of Iran's oil industry in 1951, led by Prime Minister Mohammad Mossadegh, was a direct challenge to British interests and set off a major international crisis. This culminated in the 1953 CIA-assisted coup, known as Operation Ajax, which resulted in Mossadegh's ousting. This was the first covert operation by the U.S. in the post-World War II era to topple a foreign government, done in cooperation with Britain. It underscored the extent to which these powers would go to protect their interests during the Cold War (Behrooz, 2001). The coup not only halted Iran's progression towards national independence under nationalist leadership but also reinstated Shah Mohammad Reza Pahlavi, whose rule increasingly disregarded Iran's constitutional framework. Additionally, the coup significantly weakened the Tudeh Party, Iran's communist movement, marking a turning point in Iran's political history (Behrooz, 2001).

Although the events of the 1953 coup have been documented extensively, there remain gaps in the historical record. In their study on the intersection of political instability and corporate interests, Dube, Kaplan, and Naidu (2011) provide a comprehensive analysis of how coups can significantly impact multinational corporations, particularly through the lens of classified information, revealing the complexities and risks associated with operating in regions prone to political upheaval. This insight is crucial in understanding the broader implications of governmental changes for international business operations and strategic planning. This paper aims to clarify these ambiguities and contextualize the events within their broader geopolitical and economic implications. The 'success' of the coup in Iran, along with other CIA-orchestrated operations, established a precedent for using covert interventions as instruments of foreign policy when traditional diplomacy seemed inadequate (Etges, 2011). The coup also marked the

beginning of the decline of British influence in the Middle East, particularly in Iran, where a strong sense of nationalism contrasted sharply with the political landscapes of neighboring Arab states.

This paper explores the strategies employed by the AIOC to manage political risks during the 1953 coup and assesses how the company's relationship with the British government influenced these events. Before the wave of Iranian economic nationalism, the AIOC had benefited greatly from its association with the British government, which allowed it to influence regulatory regimes in Iran. However, after World War II, the company's privileged position eroded as Iran pursued greater control over its resources.

While substantial literature exists on Iran's economic response to the oil nationalization crisis, the political dynamics of the 1951-53 Anglo-Iranian oil dispute and the subsequent overthrow of Mossadegh's government have received less academic scrutiny. Before examining the CIA's involvement in Mossadegh's overthrow, it is essential to explore the factors that prompted Britain to support a regime change in Iran. This period remains a source of considerable debate, particularly concerning economic policy and performance during Mossadegh's administration (Majd, 1995). This paper will delve into the complex interplay of factors, individuals, and groups involved in the coup, with a specific focus on the AIOC's operations during both the colonial and post-colonial periods and its impact on the decolonization process in the Middle East. The remainder of this paper is structured as follows: the next section provides a brief overview of the political and economic context of the AIOC prior to nationalization. The second section examines the nationalization event of 1951, followed by an analysis of the 1953 coup and the strategies used to mitigate the political risks associated with the AIOC's operations during this period. The conclusion summarizes the main arguments and discusses the broader implications of these findings.

2. Political and economic context of AIOC pre-nationalization 1908-1950

Incorporating the dynamics of BP's nationalization, it is imperative to consider the broader historical and geopolitical context provided by Katouzian (2004), who discusses the pivotal role of Mosaddeq's government in Iranian history, particularly its efforts in oil nationalization. This event underscores the complex interplay between national interests and international business operations, particularly those of Western oil companies. Furthermore, the analysis by Louis and Robinson (1994) on the imperialism of decolonization offers insights into how former colonies' nationalization policies were part of broader strategies to assert economic independence from colonial powers. Marsh's exploration of Anglo-American crude diplomacy during the Iranian oil crisis (Marsh, 2007) provides a detailed account of the multinational negotiations and conflicts that influenced BP's strategies during this period. This scenario is further complemented by insights from Byrne (2013), who highlights the covert operations that shaped the geopolitical landscape of oil-rich regions, directly impacting BP's operational contexts.

Additionally, Millward (2007) discusses the evolving relationship between business and state during periods of significant political change, offering a framework for understanding BP's adaptations to nationalization. Ruehsen's analysis (Ruehsen, 1993) of Operation 'Ajax' revisits the intricacies of these political maneuvers, providing a deeper understanding of the challenges faced by BP during the nationalization of its operations in Iran.

The Cold War context, as outlined by Mr. McCormick's class website (McCormick, 2017), also played a crucial role in shaping the strategies of multinational corporations like BP, as global superpowers influenced political and economic policies in oil-producing countries. Tignor (1998) provides a comparative analysis of how nationalism and capitalism interacted at the end of empire in various regions, offering insights into the environment in which BP operated. Furthermore, White (2000) explores how businesses influenced and adapted to the politics of decolonization, highlighting the strategic adjustments made by British firms, including BP, during this transformative period. Finally, Wilson (1990) discusses the strategies of state control over the economy, including nationalization and indigenization, which were critical to understanding the regulatory and operational challenges faced by BP in various African countries during the decolonization process. These diverse perspectives collectively provide a comprehensive

historical and analytical framework to examine the impact of nationalization on BP's global operations.

For the analysis of BP's nationalization, it is instructive to consider Chandler's insights (Chandler, 1990) on the strategic responses of corporations to changes in their external environment. Chandler extensively documented how large enterprises adapted their strategies and structures in response to regulatory changes and shifts in market dynamics. Applying Chandler's framework to BP's nationalization provides a valuable perspective on how the company might have strategically reoriented itself in response to nationalization, focusing on the restructuring of operations and re-evaluation of corporate goals to align with national interests and regulatory mandates. This historical context enriches our understanding of BP's strategic adaptations during a pivotal period in its corporate history. In examining the historical context of BP's nationalization, it is pertinent to draw on Decker's analysis, which explores the interaction between British business interests and economic nationalism in less developed countries (Decker, 2008; Decker, 2011). Decker's work on the Volta River project and broader corporate political activities provides a comprehensive backdrop for understanding the complexities that BP faced during its nationalization period, highlighting the influence of both internal corporate strategies and external political pressures in shaping the company's responses to nationalization initiatives in regions with emerging economic nationalism.

The twentieth century marked a period of significant transformation for the Iranian economy, moving away from centuries of underdevelopment and economic stagnation during which Iran played a marginal role in global markets. This era saw substantial changes in the structure, productivity, and international impact of Iran's economy. A pivotal factor in this transformation was the oil industry, which became crucial not only for Iran but also for global powers such as Britain. Iranian oil was particularly vital to Britain's balance of payments, reflecting the country's strategic importance in the global oil market (Marsh, 2003). As the oldest oil-producing nation in the Middle East, Iran accounted for a substantial 74.2 percent of the net income generated by the oil industry in the region between 1913 and 1947 (Issawi and Yeganeh, 1962).

By the end of the century, the Iranian population had grown more than eight-fold, and per capita income had increased approximately seven times, with significant growth occurring in the latter half of the century. This economic expansion was accompanied by substantial developments in product, labor, and capital markets, which grew remarkably in size, scope, and depth. Industry and services sectors, in particular, outpaced agriculture to become the primary sources of income and employment, reflecting a shift towards a more diversified and modern economic structure.

The role of the state in the Iranian economy evolved considerably during this period. Initially limited to functions such as taxation and minimal maintenance of public order, the state's involvement expanded significantly, influencing various aspects of economic activity. Understanding the characteristics of this transformation and the underlying forces is crucial for assessing Iran's historical economic performance and provides valuable insights into its prospects (Esfahani and Pesaran).

These structural changes were driven by several factors, including the increasing importance of oil, shifts in international trade dynamics, and internal policy reforms. As Iran's oil industry developed, it attracted foreign investments and played a pivotal role in the country's integration into the global economy. The state's increasing intervention in the economy, through both direct control and regulatory measures, further shaped the trajectory of economic development.

This economic evolution not only improved living standards and productivity but also positioned Iran as a key player in the Middle Eastern and global economic landscape. However, this transformation was not without challenges, as it also exposed the Iranian economy to external pressures and vulnerabilities, particularly related to fluctuations in oil prices and geopolitical tensions. The historical performance of Iran's economy during the twentieth century thus reflects a complex interplay of growth, diversification, and external dependence, setting the stage for its contemporary economic challenges and opportunities.

During the twentieth century, Iran's economy underwent a significant transformation, evolving from a relatively simple agrarian system to a more complex and industrialized economy with increased income levels, particularly in the manufacturing and service sectors. Despite these advancements, manufacturing never became the dominant sector within the economy. Instead, the influx of substantial oil revenues, driven by global demand, spurred the growth of the service sector, contributing to Iran's growing strengths in human capital, infrastructure, and other critical areas (Esfahani and Pesaran).

Iranian oil played a crucial role for Great Britain, especially during World War II, and continued to be a vital source of revenue in the post-war years. The Anglo-Persian Oil Company (APOC), founded in 1909, became a significant asset when the British government acquired a majority shareholding in 1914, driven by strategic imperatives. The investment was closely linked to Winston Churchill's decision as First Lord of the Admiralty to transition the Royal Navy from coal to oil, ensuring a reliable, efficient, and cost-effective energy source in anticipation of global conflict.

APOC was more than just an economic enterprise; it held substantial political and strategic influence in Iran throughout the twentieth century. By controlling Iran's primary export product—oil—APOC wielded enormous power and served as a critical revenue source for Britain. In 1914, British interests were able to shape Iran's oil production to meet their needs, with the British government securing a controlling 51% stake in APOC (Gasiowski, 1987). Over the following decades, APOC expanded its operations, constructing pipelines and developing a large refinery at Abadan, while continuing to operate under the terms of the original concession.

However, disputes over profit-sharing between the Iranian government and the APOC were a recurring source of tension. Iran argued for a share of profits from all facets of oil operations, including extraction, production, refining, and marketing, regardless of where these activities took place. Initially, the oil company's contract terms were heavily skewed in favor of APOC; modifications in 1919 did little to address Iran's grievances. Under the original concession, Iran received just 16 percent of the company's profits, with APOC maintaining control over export prices, keeping financial records opaque—including the below-market prices paid by the British navy—and making minimal efforts to replace foreign technicians with Iranian workers (Wilber, 1960a).

The Iranian government's dissatisfaction culminated in 1932 when it cancelled the concession agreement. Following extended negotiations, which involved the Court of International Justice, APOC agreed to a new concession in 1933 that increased Iran's share of royalties and altered the concession's geographic scope (Zahrani, 2002). Despite these changes, managerial and technical roles within the company largely remained the preserve of British or Indian personnel, with Iranians typically relegated to unskilled or semi-skilled positions.

Further tensions arose in the post-war period, especially following the Iranian parliament's rejection of a Soviet oil concession in 1947, which spurred the Iranian government to present a series of demands to Anglo-Iranian Oil Company (AIOC), APOC's successor. These demands included revisions to British taxation on Iran's share of profits, Iran's rights to the company's installations at the concession's end in 1993, reducing the number of British employees, and modifying the royalty basis to ensure fair compensation for oil extracted and marketed by AIOC (Abdelrehim and Toms, 2017; Wilber, 1960b, CIA, History). In response, the "Supplemental Agreement" was proposed, which sought to increase the royalty payments and adjust the profit-sharing terms. However, despite these concessions, Iranian dissatisfaction persisted.

The operations of AIOC in Iran had a profound impact on the Iranian economy and had far-reaching implications for British and U.S. foreign policy in the 1950s. AIOC held a monopoly over the pumping, transportation, and refining of most of Iran's oil, allowing Britain to exert substantial influence over Iranian affairs. Despite production royalties being paid to the Iranian government, there was widespread discontent among Iranians, who demanded a fairer share of the company's profits. This discontent was emblematic of broader nationalistic sentiments that were gaining momentum across Iran.

By 1950, AIOC was generating substantial revenues, with oil sales reaching 170 million pounds, of which only 30% of the profits were returned to the Iranian government in the form of taxes (Gasiowski, 1987). This disparity between the wealth generated by Iran's natural

resources and the meagre returns to the Iranian state fueled calls for nationalization, culminating in the 1951 decision by Prime Minister Mohammad Mossadegh to nationalize the Iranian oil industry. This move led to a major international crisis and was a pivotal moment in Iran's modern history, reflecting the ongoing struggle between Iran's aspirations for sovereignty and the interests of foreign powers in its resources.

In summary, Iran's journey from an agrarian economy to an industrialized state was significantly influenced by its oil industry and the complex interplay of domestic and international forces. The strategic importance of Iranian oil, particularly to Britain, shaped not only Iran's economic development but also its political trajectory throughout the twentieth century. The legacy of these events continues to resonate in Iran's contemporary economic and political landscape.

3. AIOC nationalization

The transformation of the global oil economy in 1949-50 marked a pivotal moment in the geopolitics of energy, largely driven by the landmark agreement between Saudi Arabia and the Arabian American Oil Company (Aramco) to implement a 50-50 revenue split. This arrangement set a new standard for profit-sharing between oil-producing nations and foreign oil companies, starkly contrasting with the terms Iran had with the British-controlled Anglo-Iranian Oil Company (AIOC). At the time, AIOC was paying more in taxes to the British government than it was in royalties to Iran, highlighting the disparity in financial benefits between the host country and the controlling foreign entity. On July 19, 1949, in a bold legislative move, the Iranian Parliament, or Majlis, rejected a supplementary oil agreement proposed by AIOC that aimed to modestly improve the concession terms. This rejection was a significant blow to both the Shah and AIOC, reflecting growing dissatisfaction with the existing arrangements (Zahrani, 2002). By the time AIOC belatedly agreed to match Aramco's 50-50 revenue split, opposition forces in Iran were already committed to the path of nationalization.

In 1951, faced with mounting public pressure and a strong nationalist movement, Mohammad Reza Pahlavi, the Shah of Iran, appointed Mohammad Mossadegh as Prime Minister. Mossadegh, a lawyer and prominent political figure with a reputation for advocating Iranian sovereignty, sought to increase national control over the country's oil industry, which had long been dominated by the British-owned AIOC (Gasiowski, 1987). Despite understanding the strategic importance of Iranian oil to the AIOC and the British government, Mossadegh prioritized the economic welfare of the Iranian people. His policies aimed to alleviate poverty by securing control over Iran's natural resources and ensuring a fairer distribution of oil revenues. The Iranian public widely believed that their wealth was being extracted at their expense, with no real control over their most valuable export (Abdelrehim *et al.* 2011).

Iran's national movement of the 1950s, fueled by a deep sense of national pride rooted in a 2,500-year history, sought to reclaim the country's economic independence. However, despite the unity behind the nationalist cause, internal divisions and a strong culture of individualism hindered broader cooperation and the effective implementation of the movement's goals (Wilber, 1960a). This complex mix of nationalism and fragmented political unity was evident as Mossadegh's government struggled to navigate the turbulent waters of domestic and international politics.

Throughout this period, British politicians and AIOC's senior management were often criticized for their perceived arrogance and inflexibility in negotiations with successive Iranian governments. A series of failed discussions exacerbated tensions, culminating in the assassination of Prime Minister Haj Ali Razmara in March 1951. Following Razmara's death, Mossadegh swiftly moved to nationalize AIOC's Iranian assets, a decision that was ratified by the Shah on 1 May 1951 (Abdelrehim *et al.* 2012). This bold move was seen as a direct challenge to British imperial interests and a critical turning point in the struggle for control over Iran's oil resources.

The nationalization of Iranian oil was a significant blow to British prestige and its imperial status, raising concerns about the ripple effects this action could have on British interests worldwide. There were fears that Iran's move might inspire other anti-British forces, such as those

in Egypt, where there were already calls for control over the Suez Canal (Etges, 2011). The unfolding crisis in Iran underscored the broader geopolitical tensions of the post-war period, where newly independent nations increasingly sought to assert control over their natural resources against the backdrop of waning colonial powers.

Mossadegh's nationalization policy was not merely an economic move; it was also a powerful assertion of Iranian sovereignty and a rejection of foreign exploitation. However, the boldness of this policy soon led to significant international repercussions, including economic sanctions and a boycott of Iranian oil led by Britain. These pressures, combined with internal opposition, eventually set the stage for the 1953 coup, orchestrated by the CIA and MI6, which overthrew Mossadegh and reinstated the Shah's autocratic rule. The coup marked a pivotal moment in Cold War geopolitics and left a lasting legacy on Iran's political landscape, reinforcing the perception of foreign interference in Iranian affairs.

In summary, the events of 1949-51, including the transformation of the global oil revenue-sharing model and the nationalization of Iran's oil industry, significantly altered the balance of power in the Middle East. These developments not only highlighted the growing assertiveness of oil-producing nations but also exposed the vulnerabilities of colonial-era arrangements that favored foreign companies at the expense of local sovereignty. Iran's struggle for control over its oil industry remains a landmark in the history of resource nationalism and serves as a powerful example of the complex interplay between economic independence and international power dynamics.

4. The oil dispute, 1953

After Iran nationalized its oil industry in 1951, the repercussions extended far beyond the immediate loss of assets for the Anglo-Iranian Oil Company (AIOC); the move profoundly impacted regional and global geopolitics. The nationalization strained relations between Iran and Britain, as the latter took extraordinary measures to protect its significant interests in Iran. Iranian leaders believed they could independently manage their oil industry by hiring non-British technicians and leasing tankers, underestimating the West's ability to adjust. From the British perspective, the Iranian approach appeared irrational and wasteful; conversely, the Iranians viewed British attitudes as overconfident and condescending. Negotiations between the two sides were thus deeply unproductive and fraught with mutual frustration. At one point, Britain even considered a military intervention to seize the Abadan oil refinery; however, the potential for Soviet involvement under the terms of a 1921 treaty with Iran acted as a strong deterrent against such an action (Wilber, 1960b).

The United States also watched the unfolding events in Iran with growing concern. As a key player in the emerging Cold War dynamics, the U.S. was alarmed by the instability in Iran, recognizing the strategic importance of the region and fearing the possibility of Soviet influence or a broader regional crisis. The nationalization of Iran's oil industry not only threatened Western economic interests but also posed a significant challenge to the geopolitical status quo, at a time when the U.S. was asserting its influence in the Middle East, gradually supplanting Britain as the dominant foreign power in the region.

The loss of the Abadan Oil Refinery—a critical asset for Britain—was a severe blow to British imperial prestige, especially as Britain was already grappling with the broader disintegration of its empire. The situation in Iran underscored Britain's declining global influence and the shifting balance of power in favor of the United States. The British government also feared that Iran's successful nationalization might inspire a domino effect across other oil-producing countries in the region, potentially leading to a wave of nationalizations that would undermine Western control over Middle Eastern oil resources (Behraves, 2010; Ebrahimi, 2016).

Relations between Iran and Britain continued to deteriorate rapidly. Iran attempted to sell oil stored in the Abadan tanks to Italian and Japanese firms, but legal actions by AIOC, combined with the broader cooperation of the international oil industry with British interests, severely limited Iran's ability to deliver oil to these buyers. In January 1952, Mossadegh escalated the situation by ordering the closure of all British consulates in Iran and subsequently shutting down all foreign information and cultural centers. He made efforts to negotiate compensation with Britain, but

these proposals included demands for large offsetting amounts for unpaid royalties and other losses caused by the halt in oil production since 1951. Britain rejected Mossadegh's final proposals in October 1952, deeming them "unreasonable and unacceptable," prompting Mossadegh to sever diplomatic relations with the United Kingdom (Wilber, 1960a).

By late 1952, Iran was sliding towards economic and political chaos. The country's young ruler, Mohammad Reza Shah, was indecisive and wavering in the face of the crisis exacerbated by Mossadegh's fervent nationalism. The Shah's government lacked a coherent economic program and was largely driven by nationalist imperatives rather than systematic economic planning. As a result, economic policymaking during this period was characterized by a trial-and-error approach, with efforts focused on immediate concerns such as establishing order and advancing basic public services like education, healthcare, and infrastructure (Esfahani and Pesaran). Iran's nationalists, led by Mossadegh, were determined to paralyze the oil industry rather than permit foreign control over their most valuable natural resource, creating a stalemate that further destabilized the country (Wilber, 1960b).

In response to escalating tensions, Mossadegh took the drastic step of expelling all British employees of AIOC by October 4, 1951. As relations continued to sour, Britain explored covert options to remove Mossadegh from power, leveraging a network of pro-British politicians, business interests, military officers, and influential elites within Iran. However, when these covert efforts failed, Britain decided to sever diplomatic ties, closing its embassy in Tehran and withdrawing its staff in November 1952. This move symbolized the end of Britain's long-standing dominance in Iran and marked a significant shift in the geopolitical landscape of the Middle East (Zahrani, 2002).

The fallout from Iran's nationalization of its oil industry and the subsequent diplomatic breakdown had profound implications. Economically, Iran faced significant challenges as it struggled to maintain oil production and revenue without the support of Western expertise and infrastructure. Politically, the nationalization stoked nationalist fervor but also led to increased isolation and economic hardship, contributing to the eventual coup d'état in 1953. This coup, orchestrated by the CIA and MI6, saw the overthrow of Mossadegh and the reinstatement of the Shah's rule, reflecting the lengths to which Western powers were willing to go to maintain control over strategic resources during the Cold War. The events in Iran during this period highlight the complex interplay between national sovereignty, economic control, and international power dynamics, setting a precedent for similar conflicts over natural resources in the decades that followed.

5. Strategies to control or mitigate the political risk facing AIOC during the Coup D'état in 1953

During the height of the Cold War in the 1950s, the Middle East, and Iran in particular, emerged as one of the most critical arenas in the global geopolitical and ideological struggle between the United States and the Soviet Union. This strategic importance marked a significant shift in American foreign policy towards Iran, a country that had been largely overlooked by U.S. policymakers for nearly 175 years (Koch, 1998). The newfound focus on Iran was driven by the dual imperatives of securing oil resources and countering Soviet influence in the region. Following the nationalization of the Anglo-Iranian Oil Company (AIOC) by Iranian Prime Minister Mohammad Mossadegh in 1951, Britain, which had long dominated Iran's oil sector, found itself ousted and economically sidelined. This development not only strained Iran's relations with Britain but also posed a significant challenge to Western strategic interests in the region.

As Britain sought to regain control over its lost oil assets, the United States took on an increasingly active role in the crisis, exploring various diplomatic and economic avenues to stabilize Iran. Initial proposals involving the International Bank for Reconstruction and Development and American oil companies failed to gain traction, leaving the U.S. and U.K. grappling with a volatile and rapidly deteriorating situation (Wilber, 1960b). By the end of 1951, Winston Churchill and the Conservative Party had returned to power in Britain, bringing a more aggressive stance towards Iran. Churchill's government was determined not to be thwarted by Mossadegh, whose position had grown increasingly precarious as he relied more heavily on

support from the Tudeh Party, Iran's communist faction. For both the U.S. and the U.K., Mossadegh's growing vulnerability and Iran's economic instability presented a critical risk: the potential for Iran to fall under Soviet influence.

The fear that Iran could become part of the Soviet sphere was a decisive factor in U.S. policymaking. Kermit Roosevelt, a key CIA operative involved in the coup planning, later wrote that the U.S. was driven by the threat of a Russian takeover, rather than concerns over oil alone (Etges, 2011). This strategic calculus led to a joint U.S.-U.K. decision to replace Mossadegh as a means of averting economic collapse in Iran and maintaining Western influence. The plan to remove Mossadegh was structured in three phases: first, a period of covert support to anti-Mossadegh factions; second, a comprehensive propaganda campaign designed to delegitimize Mossadegh's government by sowing public distrust and portraying him as increasingly reliant on communists; and third, potential military action to ensure the transition of power (Wilber, 1960b). Meanwhile, Britain imposed an oil embargo on Iran and halted its oil production, leading to severe economic repercussions for Iran. The embargo included key exports such as iron, steel, and oil-processing equipment, which deepened Iran's economic crisis but failed to coerce Mossadegh into concessions.

As the economic pressure mounted, Britain considered more drastic measures, including military intervention to seize key oil installations like the Abadan refinery. However, the potential for Soviet retaliation under the terms of a 1921 treaty with Iran, which allowed the USSR to intervene militarily if Iran was threatened, deterred Britain from pursuing direct military action (Wilber, 1960a). Instead, British and American intelligence agencies turned to covert operations as a more viable strategy to achieve their objectives. MI6 and the CIA collaborated closely, drawing on a network of pro-British politicians, business leaders, military officers, and influential clerics within Iran to destabilize Mossadegh's government from within (Gasiorowski, 1987). The goal was to make Mossadegh's position increasingly untenable, culminating in a coup that would replace him with a more compliant leader.

The logistical planning for the coup began in earnest in September 1951, with MI6 and the CIA formalizing their cooperation by November 1952. By March 1953, U.S. Secretary of State John Foster Dulles had instructed the CIA, under the leadership of his brother Allen Dulles, to develop a detailed plan for Mossadegh's removal. While the U.S. insisted that the AIOC would not be returned to British control, it nevertheless supported Britain's broader objective of regaining influence in Iran (Mokhtari, 2008). The plan, known as Operation TPAJAX, was approved by the U.S. government on July 11, 1953, with the operation scheduled to begin in mid-August.

Operation TPAJAX involved a carefully orchestrated campaign of psychological warfare and street demonstrations designed to create an atmosphere of chaos and crisis in Tehran. MI6 and the CIA funded and organized protests, paying demonstrators to take to the streets and portray themselves as supporters of the Tudeh Party. This was intended to create the perception that Iran was on the brink of a communist takeover, providing a pretext for military intervention. U.S. military equipment, including guns, trucks, and cars, was supplied to the Iranian military, which was positioned as the savior of Iran's religious society from the threat of atheistic communism (Mokhtari, 2008). This manufactured crisis paved the way for General Fazlollah Zahedi, a former Iranian army officer with strong ties to the West, to be installed as Prime Minister, restoring the Shah's authority and re-aligning Iran with U.S. strategic interests.

The coup d'état in August 1953 successfully overthrew Mossadegh and his National Front government, marking a significant triumph for U.S. and U.K. foreign policy in the region. However, the long-term consequences of the coup were profound and complex. The reinstated Shah, Mohammad Reza Pahlavi, consolidated his power and established a regime characterized by authoritarianism, repression, and widespread human rights abuses. His rule, bolstered by strong U.S. support, lasted until the 1979 Islamic Revolution, which saw the Shah ousted and replaced by a theocratic regime under Ayatollah Khomeini. To many Iranians, the 1953 coup represented a betrayal of their national sovereignty and democratic aspirations, and it deeply soured perceptions of the United States, which was seen as complicit in undermining Iran's independence (Cold War, 1950s Iranian Overthrow).

The 1953 coup also had significant ramifications beyond Iran, altering the geopolitical landscape of the Middle East and influencing U.S. foreign policy for decades. It established a

precedent for covert operations as a tool of American foreign policy, where intelligence agencies played a pivotal role in regime change to protect U.S. interests. As a result, the coup against Mossadegh has been viewed as a turning point that marked the beginning of more assertive U.S. interventionism in the region, often prioritizing geopolitical and economic interests over democratic principles and local sovereignty (Wilber, 1960a). The success of the coup was followed by the formation of a consortium in 1954 that brought together major American oil companies, the AIOC, and other Western firms to manage Iran's oil industry. This arrangement sought to reconcile Iran's nationalization of its oil with continued Western control, ensuring that foreign companies retained significant influence over production and revenues.

The consortium agreement effectively restored Western control over Iran's oil sector while providing the Iranian state with a nominal share of the profits. Although the National Iranian Oil Company (NIOC) was officially in charge, the consortium's management structure allowed Western companies to maintain operational control, ensuring a steady flow of oil to international markets and securing Iran's alignment with the West. This outcome was emblematic of the broader dynamics of post-colonial resource management, where newly independent nations often struggled to assert full control over their natural resources in the face of entrenched foreign interests.

In the aftermath of the coup, the Shah embarked on a series of ambitious reforms known as the "White Revolution," which aimed to modernize Iran's economy and society through land redistribution, infrastructure development, and the expansion of education and healthcare. While these reforms brought some progress, they also deepened social inequalities and failed to address the political repression and lack of freedoms that characterized the Shah's rule. The rapid economic changes, combined with the Shah's autocratic style, alienated many Iranians, particularly the traditional elites and the burgeoning urban middle class, who resented the Westernization of Iranian society and the perceived erosion of cultural values.

The long-term impact of the 1953 coup on U.S.-Iranian relations was profound. It marked the end of a period of relatively positive relations between the two countries and established a pattern of mistrust and hostility that has persisted for decades. The perception that the U.S. had undermined Iran's sovereignty and democratic institutions contributed to a deep-seated resentment that fueled anti-American sentiment, culminating in the 1979 hostage crisis and the subsequent decades of strained relations. The legacy of the coup also influenced other nationalist movements across the Middle East and beyond, where similar covert interventions by superpowers shaped the political trajectories of post-colonial states.

In summary, the 1953 coup in Iran was a critical moment that reshaped the country's political landscape and redefined its relationship with the West. It underscored the complexities of balancing national sovereignty with foreign economic interests in the post-colonial era and highlighted the enduring tensions between local aspirations for independence and the strategic imperatives of global powers. The events of 1953 did not dictate Iran's future, but they set the stage for a turbulent and often contentious relationship with the United States, with repercussions that continue to resonate in contemporary geopolitics (Etges, 2011). The coup not only altered the course of Iranian history but also left an indelible mark on the broader Middle Eastern political landscape, shaping the region's interactions with the West for generations to come.

6. Conclusion

The 1953 coup in Iran remains a significant topic of global interest and debate due to its complex historical implications and the many perspectives on its impact. This event is often cited as one of the most prominent covert operations of the CIA, which played a critical role in overthrowing Prime Minister Mohammad Mossadegh's government and reinstating the Shah, Mohammad Reza Pahlavi, to power. While the coup's success is widely attributed to the CIA's financial, material, and strategic support, it is important to recognize that the agency did not act in isolation. The operation was a joint endeavor with British intelligence, specifically MI6, and involved collaboration with various Iranian political factions, military officers, and influential elites who were disillusioned with Mossadegh's nationalist policies. The intricacies of these alliances and the

motivations behind the coup continue to fuel discussions about the extent of foreign intervention versus domestic agency in shaping Iran's historical trajectory (Byrne, 2013).

The 1953 coup has become a touchstone in Iranian political discourse, frequently invoked by various political groups to argue over who holds the primary responsibility for Iran's subsequent path—foreign powers or domestic actors. It raises enduring questions about the role of the United States in Iranian affairs, whether Washington can be trusted to respect Iran's sovereignty, and whether a formal apology for the intervention is necessary to mend bilateral relations. These debates are not just confined to academic circles; they resonate deeply in Iran's political culture and public consciousness, shaping the narrative of U.S.-Iranian relations even today (Byrne, 2013).

The historiography of the Anglo-Iranian oil crisis, which culminated in the 1953 coup, reflects the broader geopolitical and economic stakes involved. The crisis underscored the vital importance of Iranian oil to Britain's post-war economy and global influence. For successive British governments, protecting the interests of the Anglo-Iranian Oil Company (AIOC) and its lucrative Iranian oil concession was a strategic imperative, often at odds with American interests in the region. The nationalization of the oil industry by Mossadegh threatened not only Britain's economic position but also its standing as a global power at a time when its empire was rapidly disintegrating. This backdrop of declining British influence and the rising prominence of the United States as the dominant Western power in the Middle East set the stage for the Anglo-American collaboration in the coup (March 2007).

The coup's execution was marked by significant challenges and nearly failed on several occasions. Recent declassified information reveals that the operation succeeded by the slimmest of margins. After an initial failure on August 16, 1953, when Mossadegh's forces arrested many of the coup's key operatives, the situation seemed bleak. The CIA operatives were on the verge of abandoning the mission and leaving Iran when a last-minute reversal of fortune, driven by renewed support from the Shah and a recalibration of their strategy, led to the coup's eventual success just days later. This near failure highlights the fragile nature of the operation and underscores the volatility of the political environment in Iran at the time (Behrooz, 2001).

A key rationale behind the coup was the perceived communist threat, a product of the Cold War mentality that dominated Western foreign policy in the 1950s. The U.S. and U.K. governments were deeply concerned that Mossadegh's weakening position and his reliance on the Tudeh Party—a communist faction—could lead Iran into the Soviet sphere of influence. This fear was compounded by the broader context of the Cold War, where the spread of communism in strategic regions like the Middle East was seen as a direct threat to Western interests. The coup was therefore not merely about securing oil resources but also about maintaining Iran as a bulwark against Soviet expansionism. This dual motive of economic interest and ideological containment shaped the strategies employed by the CIA and MI6, from the propaganda campaigns to the final push for military intervention (Behrooz, 2001).

The aftermath of the coup had profound and lasting implications for Iran and its relations with the West. The Shah's reinstatement, facilitated by foreign intervention, enabled him to consolidate power and embark on a program of modernization known as the "White Revolution." However, his reliance on autocratic rule, backed by U.S. support, led to growing discontent among various segments of Iranian society. Many Iranians viewed the Shah as a puppet of Western powers, and the repressive measures he employed to maintain control only deepened this perception. The coup effectively ended Iran's brief experiment with democratic governance under Mossadegh and set the stage for decades of authoritarian rule, culminating in the 1979 Islamic Revolution. The revolution, in turn, brought to power a theocratic regime that was deeply hostile to the United States and fundamentally altered the geopolitical landscape of the Middle East.

The 1953 coup also had broader implications for U.S. foreign policy, serving as a precedent for future covert interventions aimed at regime change in other nations perceived as hostile to American interests. It illustrated the willingness of the United States to use covert operations as a tool of foreign policy, often prioritizing short-term strategic gains over long-term stability and respect for national sovereignty. This approach was evident in other Cold War-era interventions, where the primary objective was to counteract perceived communist threats, sometimes at the expense of democratic principles.

In the broader context of Middle Eastern politics, the coup reinforced the perception of Western interference in the region, a narrative that continues to resonate in contemporary geopolitical discourse. The legacy of the coup is evident in the ongoing mistrust between Iran and the United States, complicating diplomatic efforts and contributing to the persistence of hostilities. To many in Iran and beyond, the 1953 coup symbolizes a pivotal moment when foreign powers overstepped their bounds, undermining Iran's sovereignty and setting a precedent for external meddling in the internal affairs of sovereign states.

In summary, the 1953 coup remains a subject of enduring debate and analysis, not only because of its immediate effects but also because of its long-term impact on Iran's political development and its relations with the West. It serves as a cautionary tale of the complexities and unintended consequences of foreign intervention, particularly in a region as strategically important and politically volatile as the Middle East. The legacy of the coup continues to shape the narrative of U.S.-Iranian relations, posing fundamental questions about the ethics of interventionism and the right of nations to determine their own political destinies (Etges, 2011). As historians and policymakers continue to grapple with the lessons of 1953, the event remains a powerful reminder of the delicate balance between national sovereignty and global power dynamics.

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