

Notes and Documents

Avoiding the Cold War: The United States and the Iranian Oil Crisis, 1944

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Late in 1944, as the Allied offensives against Germany and Japan picked up speed, the United States very carefully avoided a confrontation with the Soviet Union over Iranian oil. For twenty-five years, American companies had tried to break the British monopoly on Iran's oil production, and the Anglo-American oil agreement of August 8, 1944 finally marked Britain's acceptance of an Open Door for American concession-hunters in the Middle East. During the negotiations leading to the agreement, British and American firms competed for potentially lucrative concessions in Iran, only to meet resistance from the Iranian left. After the Soviet Union then resurrected a twenty-year old concession as the basis for a new initiative, the Iranian cabinet ended all competition by deciding to postpone all oil negotiations until the war was over. In retaliation for this rebuff, the Soviets forced the cabinet from office. The United States looked on calmly: at this time, the wartime alliance was more important than Iranian oil. In short, there was no "crisis" between the United States and the Soviet Union.

Historians seeking the causes of later Soviet-American enmity have magnified the oil "crisis" to demonstrate the perfidy of one or the other Cold War opponent.¹ To be sure, the United States had sought access to Iranian oil since the end of World War I. But when the competition for oil threatened wartime cooperation with the Soviets, the United States placed the alliance ahead of the oil. Even overt Soviet interference in Iranian politics brought only the mildest of rebukes from Washington. Similarly, the Soviets refused to press their desire for Iranian oil to the point of

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confrontation with the United States. Once their political pressure had forced the Iranian prime minister out of office, they quickly ended their anti-Iranian campaign.

The first competitors into the field in 1944 were representatives of American and British oil companies. Two American petroleum engineers, Herbert Hoover, Jr., and A.A. Curtice, served as technical advisors to the Iranian government. The Department of State's Near Eastern and African Affairs Division assumed that Hoover and Curtice would help the American companies but hoped they would do so circumspectly. In the Division's opinion, Hoover and Curtice could best further American interests if they appeared to be acting only in Iran's interests.²

The Iranian left refused to accept this fiction. In August, 1944, as the Anglo-American competition heated up, Reza Radmanesh, an official in the leftist Tudeh Party, attacked Prime Minister Mohammad Saed Maraghei in a speech before the Majlis (parliament). In addition to questioning the propriety of employing American experts to advise Iran about a concession for which American firms were competing, Radmanesh declared the Tudeh Party's opposition to additional inroads by western imperialists in the form of new concessions to foreign oil companies. Faced with this challenge from the left, Saed admitted that his government had in fact been considering an oil concession. He defended Hoover and Curtice as impartial advisors and also reaffirmed the Majlis's right to make the final decision. Tudeh deputies argued that Saed should have opened talks with all foreigners interested in Iranian oil.³ This would, of course, include the Soviet Union. On August 26, the Soviets themselves asked Saed to receive a team of oil experts. The Prime Minister quickly agreed.⁴

The timing of the Russian request indicates that they were responding to the Anglo-American oil agreement, formally signed August 8, 1944, by which the two capitalist nations pledged themselves to joint exploitation of Middle Eastern oil. Although existing concessions would stand inviolate, all new concessions would be negotiated under conditions of fair play and equal competition. The British and American policymakers assumed that other nations would join their association, but, despite the supposed wartime unity of the Big Three, the Soviets had been

excluded from the discussions leading to the agreement.⁵ The Russians had long been interested in the oil of northern Iran. In 1916, the Iranian government had granted exploitation rights there to Akakiy Khoshtaria, a citizen of Russian Georgia, but subsequent diplomacy had muddied the Soviet title.⁶ However, the Soviets clearly did hold a concession in the Kavir-i-Khurian area east of Tehran: Khoshtaria had arranged this for them in 1925.⁷ Nearly twenty years later, following the Anglo-American oil agreement and with Iran on the verge of granting a new concession to British or American interests, the Soviets decided to begin prospecting at Kavir-i-Khurian.

On September 15, 1944, Vice People's Commissar for Foreign Affairs Sergei I. Kavtaradze arrived in Iran with a team of forty Soviet petroleum and economic experts. Kavtaradze spent a convivial week in Tehran meeting Iranian politicians. The Iranian press praised the Soviet Union, and the Soviet official responded in kind. After paying formal calls on the Prime Minister and the Shah, Kavtaradze left Tehran for Kavir-i-Khurian, where members of his team were already exploring. Tehran buzzed with rumors of possible Soviet aims, ranging from oil concessions to military bases, but for over a week Kavtaradze remained at Kavir-i-Khurian, hiding his intent.⁸

On October 1 Kavtaradze finally revealed the Soviet goal: the exclusive right to search for oil throughout Iran's five northernmost provinces. Bypassing the cabinet, with whom the British and American representatives were negotiating, and also the Majlis, whose approval was required, Kavtaradze made his proposal directly to the Shah. The Russian justified his action by arguing that his deal would be between the Iranian and Soviet governments, rather than between the Iranian government and a private British or American company. The Shah cleverly avoided any commitment but suggested that Kavtaradze discuss his plan with the cabinet. Court Minister Hossein Ala quietly passed the substance of Kavtaradze's proposal to the American Embassy.⁹

Kavtaradze turned now to Prime Minister Saed. The Soviet diplomat gave the Iranian government only three days to answer his immediate request for exploration rights in northern Iran; a detailed concession would be worked out after the Russians had located the oil deposits. The Iranian cabinet and members of the

major factions in the Majlis, meeting under the pressure of Kavtaradze's deadline, first decided to refuse the Soviet request and then agree to postpone consideration of any new concession until the war ended and all Allied occupation forces left Iran.¹⁰ With this decision, the Iranians shut out the British and American companies just as effectively as they did the Soviet government.

The American Embassy in Tehran was out of touch with local politics: four days after the cabinet's decisions, Ambassador Leland B. Morris was still predicting that Iran would yield to the Soviets unless the United States and Great Britain remonstrated with the Russians.¹¹ Despite Morris's erroneous warning, officials in Washington saw no reason to oppose the Soviets openly. With the approval of Secretary of State Cordell Hull, (whose illness prevented him from working at the Department), Under Secretary Edward R. Stettinius, Jr. addressed a calm response to the Iranian government, merely accepting their decision and hoping that American firms would receive equal consideration when the Iranians again considered concessions. The United States said nothing at all to the Soviet Union.¹²

American oil policy thus remained consistent. Even though the Iranians had slammed the door on the American companies, the net effect of the Iranian decision was to freeze the *status quo*, leaving all Iranian oil production under British control. Since Great Britain had agreed to blend its oil policy with that of the United States, and the two countries expected to set up an international cartel to manage postwar oil production and distribution,¹³ every drop of oil pumped from Iranian wells would be included in whatever joint plans the British and Americans might develop. As long as the Soviets refused to join the capitalist cartel, American policy was to exclude the Russians from the Middle Eastern oil fields. And if the Iranians themselves chose not to negotiate with the Soviets, so much the better; then, the United States could avoid the risk of offending its war-time ally. Furthermore, Iran's refusal was only temporary, because the scramble for concessions could begin again as soon as the war ended.

The Soviets, on the other hand, refused to accept the Iranian decision. Kavtaradze did not bother to hide his unhappiness, even

from Ambassador Morris. The Soviet Embassy busily courted Majlis deputies and newspapers, Tehran's leftist newspapers attacked Saed for opposing the interests of the Iranian people, and the Soviet press echoed the Iranian charges. Morris reported that the Soviets had augmented their Tehran garrison and were threatening to cut off the capital's grain supply by closing the railroad line to Azerbaijan.¹⁴

Saed tried to diminish the rising pressure against him by revealing the full details of his oil negotiations. Tudeh deputies called the Prime Minister "a traitor and a hireling," but other deputies praised Saed for preventing the concession-seekers from carving up Iran.¹⁵

When more subtle pressure failed to breach Saed's position, Kavtaradze launched an overt offensive, beginning with a press conference on October 24. The Russian charged Saed with blocking friendly relations between Iran and the Soviet Union. The Russian argued that a Soviet oil concession would spur the growth of population and industry in northern Iran and that, unlike the British concessionaire, the Russians would train Iranian workers and pay fairly for their concession rights. Kavtaradze concluded by calling on the Iranian press to tell the people that the Russians simply could not work with Saed.¹⁶

Kavtaradze's blatant interference in Iranian politics was the signal for intensified leftist attacks on Saed. In Tehran, Isfahan, Tabriz, and other cities, demonstrators demanded an end to Saed's government. Morris estimated one crowd of Tudeh supporters marching on the Majlis at 35,000. The left wing press accused Saed of discriminating against the Soviet Union, and the official Soviet news agency announced that the Iranian people both opposed Saed and favored a Soviet oil concession.¹⁷

At this point, in a dramatic speech before the Majlis, Iranian patriot Dr. Mohammad Mossadeq gathered Iran's resistance to all foreigners into a single theme. Using the slogan "negative equilibrium," Mossadeq urged the rejection of any foreign demand that ran counter to Iran's national interest. This was in contrast to the traditional "positive equilibrium," which meant preserving Iran's independence between Britain and Russia by granting each sufficient compensation to offset the other. In the fall of 1944, the Tudeh Party was offering positive equilibrium to

justify their support of a Soviet oil concession to match the British one. Mossadeq called on Iranian nationalists to oppose all foreign oil concessions because such economic concessions inevitably led to political concessions and foreign interference in Iranian politics. Even the distant United States was dangerous because its alignment with either of the other two powers would worry the third. In foreign affairs, then, negative equilibrium meant denying concessions to all foreigners. Mossadeq also extended his slogan to domestic affairs, where it comprised free elections and the substance as well as the form of parliamentary government.¹⁸

So well did Mossadeq express the growing sense of Iranian nationalism in the Majlis that a majority of the deputies urged him to replace Prime Minister Saed. Mossadeq, fearing a plot to remove him from the Majlis by electing him prime minister and then forcing him out of office, insisted that he be allowed to retain his Majlis seat while serving as prime minister. The Majlis refused to accept Mossadeq's terms, which would have violated the Iranian constitution.¹⁹

Washington now began to worry about developing Irano-Soviet tension. The American press, always a barometer of official concern with Iran, reported the Soviet assault on Saed. Under Moscow datelines, *The New York Times* repeated Soviet accounts of Kavtaradze's press conference and the subsequent wave of demonstrations. *Time* also noted Soviet press attacks on Saed, and *Business Week* predicted that Iran would be a postwar "tinderbox."²⁰ Acting Secretary of State Stettinius was sufficiently concerned about Iran to include status reports in the daily information summaries prepared for President Franklin D. Roosevelt.²¹ Meanwhile, Charles E. Bohlen, Chief of the Department's Division of Eastern European Affairs, warned his colleagues that

We should pay the closest attention in the immediate future to the question of Soviet-Iranian relations. Recent evidence of Soviet displeasure towards Iran obviously because of the cancellation by the Iranian Government of all negotiations for oil concessions is increasingly ominous.²²

American policymakers faced a delicate decision as the Soviets kept up their pressure on Iran. No matter how offensively the Russians behaved — Ambassador Morris described their methods as “Hitlerian”²³ — full American backing for Iran against the Soviet Union would split the Soviet-American alliance. The United States needed Russian power to conclude the war against Germany, and American hopes for postwar peace rested on continuing the collaboration among the wartime allies. On the other hand, the United States still hoped for access to Iranian oil.

The key to the American decision is a document prepared for the Department of State Policy Committee late in October, 1944. This document, called PC-8 outlined the general principles of American policy toward Eastern Europe, the Soviet Union, and the Near East.²⁴ PC-8 was not anti-Soviet, as its opening paragraph reveals:

While the Government of the United States is fully aware of the existence of problems between Great Britain and the Soviet Union, this Government should not assume the attitude of supporting either country as against the other. Rather, this Government should assert the independent interest of the United States (which is believed to be in the general interest) in favor of equitable arrangements designed to attain general peace and security on a basis of good neighborhood, and should not assume that the American interest requires it at this time to identify its interests with those of either the Soviet Union or Great Britain.

PC-8 listed these principles to guide American policy: political, social, and economic self-determination; a worldwide open door for trade, the press, and American educational and philanthropic groups; “general protection of American citizens and the protection and furtherance of American economic rights, existing or potential (investments, concessions, licenses, et cetera);” and American participation in resolving territorial disputes. Soviet policies and the application of these principles would determine how closely the United States and Soviet Union would cooperate after the war, but nowhere in PC-8 was there a call for an American offensive against the Soviets.²⁵

American policymakers clearly applied PC-8's principles in responding to Soviet actions in Iran. On November 1, 1944, the American Embassy in Moscow advised the Foreign Office that, although the United States was aware of Soviet displeasure with Iran, the United States had accepted the Iranian cabinet's decision and could not "concur" in any interference in Iran's internal affairs.²⁶ American action was neither threatened nor implied, because Washington was not prepared to back Iran to the extent of disrupting American relations with the Soviet Union. Thus, Wallace Murray, of the State Department, refused the Iranian charge d'affaires' plea for a strong American stand against the Soviets. Murray warned, "We are in the midst of a war . . . and we cannot take any action which would interfere with the conduct of the war and our vitally important relations with Soviet Russia."²⁷

In Tehran, Prime Minister Saed denied any intention of slighting the Soviets.²⁸ Despite this disclaimer and the American note of November 1, the Russians increased their pressure on the Iranian government. Farsi radio broadcasts from Soviet territory, articles in the Iranian and Soviet press, and demonstrations in Iranian cities expressed Soviet hostility toward Saed. The Soviet Embassy cut off all contact with Saed's government, and Saed responded by blocking a Tudeh Party demonstration and arresting several Tudeh leaders.²⁹

American officials in Tehran and Washington were oblivious to the growing Soviet pressure on Saed. *The New York Times* was more accurate than Ambassador Morris, but unfortunately the State Department read only Morris. On November 3 and 4 the Ambassador reported that Soviet pressure was decreasing and, based on his reports, the Near Eastern and African Affairs Division's *Weekly Political Review* announced that the American note had caused Soviet "hesitation."³⁰

The Soviets were not hesitating at all. On November 8, they formally advised Saed that several Iranians had killed two Russian officers. Unless Saed could find the killers within two days, the Soviets threatened to conclude that Tehran was in a state of anarchy, which they would be forced to remedy themselves. On November 9, facing this accusation that was

impossible to solve or even verify within the time limit, Saed resigned.³¹

Immediately after Saed's resignation, the Soviets relaxed their pressure on Iran. Political agitation ended, and grain again moved from Azerbaijan to Tehran.³² As George F. Kennan, American Chargé d'affaires in Moscow, interpreted Soviet policy, the Russians were less interested in Iranian oil than in protecting their southern frontier and their own Caucasian oil fields. They had dropped their demand for an oil concession and concentrated on Saed, Kennan thought, to avoid a break with the United States, which would not intervene to save Saed but might do so should the Soviets attempt to gain a long-term economic advantage.³³

The "crisis" thus ended in a stalemate. No new concessions were granted, and Prime Minister Saed left office. Under the constraints imposed by a shooting war against a common enemy, the United States and Soviet Union had avoided an open clash in Iran, even with the rich oil fields at stake. Would they successfully regulate their competition after the war? Even though PC-8 was not anti-Soviet, its principles could furnish the ideology for a moral offensive should the Soviets appear to be excluding the United States from eastern Europe. Then, Iran might well become a stumbling block for postwar cooperation, for there, as in few places in the world, American and Soviet economic and political interest collided directly.

NOTES

1. See, for example, George Kirk, *The Middle East in the War*, Survey of International Affairs, 1939-1946 (Rev. ed., London: Oxford University Press, 1953), 474-81; Benjamin Shwadran, *The Middle East, Oil, and the Great Powers* (New York: Frederick A. Praeger, 1955), 64-68; George Lenczowski, *Russia and the West in Iran: A Study in Big-Power Rivalry* (Ithaca: Cornell University Press, 1949), 216-23, 263-76, and 279-81; Gaddis Smith, *American Diplomacy During the Second World War, 1941-1945* (New York: John Wiley and Sons, 1965), 104; and Gabriel Kolko, *The Politics of War: The World and United States Foreign Policy, 1943-1945* (New York: Random House, 1968), 309-11.

2. Cordell Hull, *The Memoirs of Cordell Hull* (New York: The MacMillan Company, 1948), II, 1508-9; and U.S., Department of State, Near Eastern and African Affairs Division, *Weekly Political Review*, August 2, 1944, 6-7, The Edward R. Stettinius, Jr., Papers, University of Virginia Library.

3. Nasrollah Saifpour Fatemi, *Oil Diplomacy: Powderkeg in Iran* (New York: Whittier Books, 1954), 230-32.

4. Keyvan Tabari, "Iran's Policies Toward the United States During the Anglo-Russian Occupation, 1941-1946," (Unpublished Ph.D. Dissertation, Columbia University, 1967), 92.

5. U.S., Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1944*, Vol. III: *The British Commonwealth and Europe* (Washington, D.C.: Government Printing Office, 1965), 94-127. Text of the agreement is in U.S., Department of State, *Bulletin*, August 13, 1944, 154-56.

6. For details, including changes in Khoshtaria's citizenship, Soviet renunciations of Tsarist concessions, Soviet recantation, and Iranian counter-claims, see Lenczowski, *Russia and the West in Iran*, 81-82. Less clear is Shwadran, *Middle East, Oil, and Great Powers*, 82-84 and 87.

7. Shwadran, *Middle East, Oil, and Great Powers*, 94-95; and Lenczowski, *Russia and the West in Iran*, 85n.

8. Fatemi, *Oil Diplomacy*, 216-17, 231, and 234-35; and Lenczowski, *Russia and the West in Iran*, 216-17 and 236.

9. U.S., Department of State, *Foreign Relations of the United States: Diplomatic Papers, 1944*, Vol. V: *The Near East, South Asia, and Africa; The Far East* (Washington, D.C.: Government Printing Office, 1965), 453-54.

10. Fatemi, *Oil Diplomacy*, 236-39. This meeting was held on October 3. Fatemi represented the Mihan Party faction in the Majlis at this and all other cabinet meetings between August 14 and November 9, 1944 (*Ibid.*, 238n.). British, Russian, and American troops were in Iran to insure Iran's adherence to the anti-German cause and also to smooth the flow of lend-lease supplies across Iran to the Soviet Union.

11. *Foreign Relations, 1944*, V, 454-55. According to Gabriel Kolko, "The first response of the new American Ambassador to Iran, Leland Burnette Morris, was to suggest that the Iranian government announce that it would postpone concession grants for six months to a year." (*Politics of War*, 310). Although the Iranians did delay all concessions, Kolko's implication that the Iranian government followed Morris's lead is incorrect. Morris did make the suggestion Kolko mentions, but as his telegram clearly shows, the suggestion was directed to Washington, not Tehran. Delay was one strategy on which Morris asked for instructions. Since the Iranians had already made their decision, Morris's suggestion does not justify Kolko's conclusion.

12. *Foreign Relations, 1944*, V, 456-57 and 462; and Hull, *Memoirs*, II, 1509. Special arrangements for Stettinius to act during Hull's absence are in Calendar Notes, October 9, 1944, Stettinius MSS.

13. See text of agreement, U.S., Department of State, *Bulletin*, August 13, 1944, 154-56.

14. Fatemi, *Oil Diplomacy*, 239-41; *New York Times*, October 23, 1944, 1; and the reports from Ambassador Averell Harriman in the Soviet Union in *Foreign Relations, 1944*, V, 457-59. The Russians invited even Fatemi, whose hostility to Russia was well known, to lunch at the Russian Embassy.

15. Fatemi, *Oil Diplomacy*, 241.

16. *Ibid.*, 241-43; Lenczowski, *Russia and the West in Iran*, 219; and *Foreign Relations, 1944*, V, 460-61. For especially biting description of Kavtaradze's conduct, see Rouhollah K. Ramazani, "The Autonomous Republic of Azerbaijan

and the Kurdish People's Republic: Their Rise and Fall," *Studies on the Soviet Union*, 11 (1971), 406.

17. Fatemi, *Oil Diplomacy*, 243-44; *Foreign Relations, 1944*, V, 461; and Lenczowski, *Russia and the West in Iran*, 220.

18. Tabari, "Iran's Policies Toward the U.S.," 110-19 and Sepehr Zabih, *The Communist Movement in Iran* (Berkeley and Los Angeles: University of California Press, 1966), 90-91 and 93-95.

19. Tabari, "Iran's Policies Toward the U.S.," 117-19.

20. *New York Times*, October 30, 1944, 5, and October 31, 1944, 7; "Iran — Enough Said," *Time*, October 30, 1944, 82 ("Said" is an alternative transliteration for "Saed"); and "The War and Business Abroad," *Business Week*, October 21, 1944, 111.

21. Memoranda, Stettinius to Joe Gray of Hull's Office, October 24, 1944, Stettinius MSS. Stettinius kept Hull informed of everything the Department was sending to the President.

22. *Foreign Relations, 1944*, V, 351.

23. *Ibid.*, 464-65.

24. Policy Committee Document PC-8, October 23, 1944, Stettinius MSS.

25. For example, Annex A to the basic document accepted the Curzon Line as Poland's eastern border (with territorial compensation at Germany's expense in the west), favored a compromise government for Poland based on self-determination and "legal continuity" with the London Poles, and even supported a Soviet-Polish treaty similar to the recently-concluded Soviet-Czech treaty.

26. *Foreign Relations, 1944*, V, 463.

27. *Ibid.*, 466-67. The Iranian chargé also begged Stettinius for assistance — see Calendar Notes, November 3, 1944, Stettinius MSS.

28. Fatemi, *Oil Diplomacy*, 244-46; and *New York Times*, November 2, 1944, 4. Neither source gives the date of Saed's press conference, which Kirk claims to be October 28 (*Middle East in the War*, 476n).

29. *New York Times*, November 4, 1944, 3, November 5, 1944, 1, November 6, 1944, 6, and November 9, 1944, 9.

30. *Foreign Relations, 1944*, V, 466; and Near Eastern and African Affairs Division, *Weekly Political Review*, November 8, 1944, 3-4, Stettinius MSS.

31. *New York Times*, November 11, 1944, 3; and Fatemi, *Oil Diplomacy*, 247-48.

32. *Foreign Relations, 1944*, V, 483; and "Russia Trouble," *Newsweek*, November 20, 1944, 58.

33. *Foreign Relations, 1944*, V, 470-71.