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## The Special Relationship and the Anglo-Iranian oil crisis, 1950–4

STEVE MARSH

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# The Special Relationship and the Anglo-Iranian oil crisis, 1950–4\*

STEVE MARSH

**Abstract.** The Anglo-Iranian oil crisis of 1950–4 provides an ideal case-study for those interested in the postwar Anglo-American Special Relationship. This article investigates the oil crisis with two purposes in mind: first, to demonstrate how Britain and the United States struggled to adjust their bilateral relations in response to their changing postwar world positions; second, to show just how crucial both countries perceived the Special Relationship to be in the early 1950s. This is done by examining the American decision not to pursue a policy in the Iranian oil crisis that would undermine Britain's position, despite at times severe Anglo-American tension. It is concluded that the problems created by the changing balance of forces within the Special Relationship were mitigated in Iran by a combination of consanguinity and, more important, the US need for British help in its policy of global containment. In short, Anglo-American policy-makers perceived sufficient mutual need to persuade them to actively preserve and develop the Special Relationship.

## Introduction

The Anglo-Iranian oil crisis of the early 1950s offers numerous avenues of approach to Anglo-American relations, not least because it was set against a backdrop of deepening Cold War tensions and spanned changes of administration on both sides of the Atlantic. This article develops two such avenues. First, it uses the oil crisis to demonstrate how Britain and the United States struggled to adjust their bilateral relations in response to their changing postwar world positions. Second, by examining the American decision not to pursue a policy in Iran that would undermine Britain, it shows just how crucial both countries perceived the Special Relationship to be.<sup>1</sup>

\* My thanks go to Dr Alan Dobson for all his constructive advice and to the Harry S. Truman Library for their generous research scholarship, without which this article would not have been possible.

<sup>1</sup> This article does not seek to conceptualize the 'Special Relationship' and the term is used throughout in much the same way that policy-makers on both sides of the Atlantic used it at the time of the oil crisis, i.e. as a broad characterization of Anglo-American relations. However, the reader should be aware that there is vigorous academic debate, unfortunately beyond the scope of this article, about what, if anything, has made Anglo-American relations 'special'. Supporters of the idea of a Special Relationship point to the remarkable process in the early twentieth century whereby the United States began peaceably to assume from Britain the role of premier world power. They also stress the importance to Anglo-American relations of a common language, culture, beliefs, political systems, and, in some cases, a shared ancestry and Christian ethic. See H. C. Allen, *Great Britain and the United States: A History of Anglo-American Relations (1783–1952)* (London, 1954); G. W. Ball, 'The "Special Relationship" in Today's World'; W. E. Leuchtenburg et al., *Britain and the United States: Four Views to Mark the Silver Jubilee* (London, 1979), p. 57; C. R. Attlee, 'Britain and America: Common Aims, Different Views', *Foreign Affairs*, 32 (1953–4), p. 202. Other scholars are more critical of the concept of a Special Relationship. Donald Cameron Watt has questioned its value and David

The oil dispute centred on Iranian demands for renegotiation of a concession granted to the Anglo-Iranian Oil Company (AIOC). Difficult commercial negotiations quickly escalated into a major international crisis which struck at the heart of postwar British concern, finance. Abrogation of the AIOC's concession would mean the loss of Britain's largest single overseas asset; injury to British prestige such that other countries would be encouraged to follow the Iranian example; severe damage to Britain's balance of payments, as Iranian oil was a major dollar saver;<sup>2</sup> and violation of the sanctity of contract and with it the basis of international trade. The implications were particularly grave because Britain was so dependent on overseas trade for its solvency and was already struggling to overcome postwar economic crises, such as the fiasco of sterling convertibility in 1947 and the devaluation of sterling in 1949.

Britain's foremost priority in the oil dispute was to protect its economic position. Without financial solvency it could hope neither to meet its overseas commitments nor to protect its great-power status. Nor could it preserve the Anglo-American Special Relationship, which was the cornerstone of Britain's postwar foreign policy. The growing disparity between British and American power was making the partnership ever more difficult to manage and threatened to bring about an automatic dominance of American views. His Majesty's Government (HMG) was anxious to retain its influence in Washington by maintaining a strong element of mutual need within the Special Relationship. As Deputy Under-Secretary of State, Sir Roger Makins, concluded: 'The maintenance of our economic independence is vital to a healthy Anglo-American relationship. We must strive in every way to avoid again becoming dependent on direct United States economic support.'<sup>3</sup>

After some initial hesitancy the Truman administration felt compelled to intervene in the Anglo-Iranian oil dispute. It was concerned lest the oil crisis endanger vital oil supplies to the West, and was anxious to uphold the sanctity of contract as the basis of international trade. It was also deeply concerned about what it saw as an increasing Communist threat to the Middle East. It seemed that Iran might succumb to internal Communist subversion, that Britain's pursuit of its economic priorities could further destabilize the Middle East, and that the Soviets might make significant advances in a region of growing geostrategic importance.

Throughout the dispute, Anglo-American agreement was maintained concerning general principles: the sanctity of contract, the importance of stable oil markets, the threat of Communism, and the economic importance of the AIOC concession. The British welcomed US involvement, hoping that an Anglo-American understanding could be reached that would settle the oil dispute and bolster their position

Reynolds has described it as at least in part a British diplomatic device for buttressing declining power and prestige. In similar vein, David Owen has described the Special Relationship as a dangerous intellectual concept which 'gave us a distorted perception of our power and influence in the world'. See D. C. Watt, *Succeeding John Bull: America in Britain's Place* (Cambridge, 1984); D. Reynolds, 'A "Special Relationship"? America, Britain and the International Order since the Second World War', *International Affairs*, 62 (1986), p. 2; D. Owen, 'Britain and the United States', in Leuchtenburg et al., *Britain and the United States*, p. 63. Still other writers have challenged the entire notion of Anglo-American relations being 'special'. For example, Max Beloff has claimed that 'relations between the USA and Great Britain have been as complex and as variable as between any other two major powers: now friendly, now hostile, now in alliance, now deeply at odds'. M. Beloff, 'John Bull and After: Anglo-American Relations', *Encounter*, 66 (1986), p. 62.

<sup>2</sup> Public Record Office (PRO), FO 371/82377, minute by P. E. Ramsbotham, 22 Nov. 1950.

<sup>3</sup> PRO, FO 371/90931, Sir Robert Makins, 'Impressions of America', 25 May 1951.

throughout the Middle East. However, the two countries were at odds about the primary objective. Britain was preoccupied with the economic aspect, and the US with the Communist threat. The resultant tension was heightened by two other factors. First, the Americans became deeply frustrated on finding themselves trapped in a dispute in which they lacked the power to enforce a solution and from which they were unable to extricate themselves. Second, the British suspected that the Americans intended to usurp their position in Iran and sacrifice Britain's interests to Cold War expediency. Indeed, the fact that four years of Anglo-American acrimony were ended by a consortium arrangement to settle the dispute was not due to any reconciliation of opposed priorities or assessments. Rather, it was the product of a temporary coincidence of interests at a time when Britain could obtain an acceptable economic deal and the Americans had an opportunity to build a client state under the leadership of the Shah and General Zahedi.

Anglo-American disagreement about priorities in Iran is the subject of the first part of this article. The second part addresses the question why, given the existence of sometimes severe Anglo-American friction, the two countries adjusted their bilateral relations with a view to overcoming their differences and cultivating the Special Relationship. This is done by analysing why America felt unable to adopt a policy in Iran which undermined Britain's position. It is concluded that Anglo-American policy-makers perceived sufficient mutual need to persuade them to temper what could be described as the pursuit of a narrow conception of national interest in favour of preserving the Special Relationship.

### **Britain and America in the Middle East**

Britain does not want Egypt, or wish it for herself any more than a reasonable man who owned an estate in the north of England and a residence in London would want to own all the Inns on the Great North Road. All such a man could reasonably require would be that the inns should be there, that they should be reasonably efficient and ready to supply him with mutton chops and post-horses whenever he went through.<sup>4</sup>

Palmerston's dictum on Egypt is in many ways a timeless encapsulation of Britain's attitude towards the whole Middle East. The region formed a land bridge to three continents and offered control of the sea routes to India and beyond. It was important, too, because of the Suez Canal, the discovery of oil, and, more recently, the air landing and transit rights required for inter-continental flights. A range of commercial interests, such as construction, banking, insurance and mining, also served to anchor British involvement in the area.

Britain had first competed with Russia for influence in the region, and developed in the process a network of defensive treaties with Transjordan, Iraq, and Egypt. After World War II its interests in the Middle East were accorded ever-greater importance. For a nation imbued with a tradition of empire, the setbacks of the war, withdrawal from Greece, and especially the 'loss' of India had been bitter pills to swallow. Constrained in Europe and with a diminished role in the Far East, Britain

<sup>4</sup> J. Glubb, 'Britain and the Middle East', *Journal of the Royal Central Asian Society*, 44 (1957), p. 216.

made the Middle East the focus of its attempts to maintain great-power status. The war did not have the same disruptive effect on British influence in the Middle East as in the Far Eastern colonies. Even the 'loss' of India, as Darby has observed, does not appear to have influenced strategic thinking significantly, especially as a complacent belief in ultimate Indian cooperation lingered in the corridors of Whitehall.<sup>5</sup> British prestige demanded that, as far as possible, traditional control over the Middle East be maintained, and Britain's leaders readily concurred that 'in peace and in war [it] is an area of cardinal importance to the United Kingdom'. Particularly for those who wished Britain to operate as an independent power between the two postwar giants, it was time to 'transform the barbican of empire, the Middle East, into its new keep and stronghold, and to develop the resources of British Africa and south-east Asia for the benefit of the sterling area'.<sup>6</sup>

The presence of oil reserves reinforced Britain's determination to retain its position in the region. They were absolutely vital to the United Kingdom: financially, strategically, politically, and militarily.<sup>7</sup> Any future war effort would depend upon adequate, accessible, and reliable sources of oil, as did postwar economic recovery. Britain controlled approximately one-third of the non-Communist world's oil produced outside the Middle East, but even this was deemed insufficient for the kind of industrial expansion required for rearmament and economic reconstruction. Moreover, oil operations were critical to Britain's balance of payments. Although Britain looked to the Empire and the Sterling Area to offset its mounting dollar shortage, the United States remained a major source of imports. Dollars had to be found to pay for them, and oil sales were one source. Even more importantly, sterling oil was a tremendous dollar saver. As early as 1944, it was estimated that approximately \$100 million per year of foreign exchange would have to be found if Britain failed to exercise control over oil imports. By November 1950 this prediction had been realized and if Middle Eastern oil were to be lost, then not only would British dollar earnings fall, but there would also be a further substantial and damaging dollar drain before refining capacity could be developed elsewhere.

The British were thus intent on protecting their economic interests. They were convinced, too, that continued dominance in the Middle East was essential to retaining their great-power status. Nevertheless, they were shrewd enough to recognize that their economic weakness meant that their position in the Middle East could not be maintained unilaterally. They needed American support. The problem was to secure it on the right terms. As Sir Maurice Peterson, Head of the Eastern Department, observed in June 1943: 'if you ask your neighbour not to light a bonfire which may catch onto your house, you are not usually regarded as inviting him to discuss structural alterations in the latter'.<sup>8</sup>

<sup>5</sup> P. Darby, *British Defence Policy East of Suez, 1947-68* (London, 1973), ch. 1; J. Darwin, 'British Decolonization since 1945: A Pattern or a Puzzle?', *Journal of Imperial and Commonwealth History*, 12 (1984), p. 194.

<sup>6</sup> PRO, CAB 129, CP (50)264, paper by Bevin for the Cabinet, 8 Oct. 1950; Reynolds, "'Special Relationship'", p. 6.

<sup>7</sup> Some idea of British reliance on Middle Eastern oil can be gained from oil import figures for 1949/50: £22.1 million worth from Bahrain and Kuwait, £25.4 million worth from Saudi Arabia, Iraq, and Iran; and just £8.4 million worth from the rest of the world. Figures from Darby, *British Defence Policy*, p. 25.

<sup>8</sup> Quoted by A. Nachmani, "'It is a Matter of Getting the Mixture Right': Britain's Post-war Relations with America in the Middle East", *Journal of Contemporary History*, 18 (1983), p. 118.

The type of Anglo-American relationship which London desired was at variance with that sought by Washington, in both style and substance. In terms of the character of Anglo-American relations, the British favoured an overt partnership in the Middle East and elsewhere. They were painfully aware of their 'demotion from Protagonist to attendant Lord'<sup>9</sup> and the consequent need for consanguinity to counter American power. They wanted a position 'closely related to the U.S.A., and yet sufficiently independent of her, to be able to influence American policy in the directions desired'.<sup>10</sup> The maintenance of Britain's great-power status demanded that Whitehall secure American assistance and patronage, not least to help HMG in other elements of its foreign policy such as leadership of the Commonwealth and Empire. This was an objective shared by the Attlee and Churchill administrations, even if Churchill's leadership added more personal gusto to its prosecution. As he impressed on the Americans, Churchill was determined to 're-emphasize the partnership between the United States and the United Kingdom in world affairs' and desirous of re-establishing 'the intimacy which existed between the two governments during the last war'.<sup>11</sup> After the election of Eisenhower, Churchill moved to rekindle his intimate friendship with the new President and to establish more exclusive Anglo-American collaboration. As he told Eisenhower: 'Two is company; three is hard company; four is a deadlock.'<sup>12</sup>

The Americans, though, increasingly resisted an overt Anglo-American relationship. They were convinced that the Special Relationship was at its most effective when underlying broader multilateral arrangements, such as in NATO and the United Nations. In fact, Eisenhower rated the need to avoid an overt Anglo-American relationship just as important as the need for Anglo-American study of common problems, because such a relationship threatened to impair relations with other powers, notably France, and to restrict American freedom of manoeuvre when approaching third countries.<sup>13</sup> It could also give the impression that the US was buttressing British colonialism, and this would have grave repercussions in the psychological battle against Communism, particularly in the Third World. For these reasons, both the Truman and Eisenhower administrations opposed any formalization of the Anglo-American consultative machinery.<sup>14</sup> The Republicans, in parti-

<sup>9</sup> C. Bell, *The Debatable Alliance: An Essay in Anglo-American Relations* (London, 1964), p. 7.

<sup>10</sup> Extract from a Memorandum for the Permanent Under-Secretary's Committee, Anglo-American Relations: Present and Future, 22 Apr. 1950, in R. Bullen and M. Pelley (eds.), *Documents on British Policy Overseas, Series 2, vol. 2: The London Conferences, Anglo-American Relations and Cold War Strategy January–June 1950* (London, 1987), p. 81.

<sup>11</sup> Harry S. Truman Library (HST), PSF, box 116, papers prepared for general information, Steering Group preparation for President and P.M. talks, 'Approach and objectives for the Churchill talks', u.d., p. 1.

<sup>12</sup> Dwight D. Eisenhower Library (DDE), Ann Whitman File, International Series, box 18, Churchill visit Jun. 1954 (3), memo. conv. 26 Jun. 1954, p. 2; box 16, President–Churchill (vol. i), 20 Jan. 1953–28 May 1953 (1), Churchill to Eisenhower, 9 Feb. 1953; folder President–Churchill (vol. ii), 28 May 1953–14 Oct. 1953 (3), Churchill to Eisenhower, 26 Jun. 1953.

<sup>13</sup> DDE, Ann Whitmann File, International Series, box 15, Great Britain (3), Eisenhower to Eden, 16 Mar. 1953.

<sup>14</sup> HST, Acheson Papers, box 75, folder 1, Princeton Seminar 11–13 Dec. 1953, reel 1, track 2, p. 12; PSF, box 116, Truman Churchill meetings, Papers prepared for general information, Steering Group preparation for Pres. and P.M. talks, 'Approach and objectives for the Churchill talks', u.d., p. 1. National Archives Washington (NA), RG 59, box 2769, memo. by R. B. Knight to Matthews, 'Conversations between President Truman and Mr Churchill—US objectives', 10 Dec. 1951.

cular, were openly sceptical of Churchill's preoccupation with 'summit meetings',<sup>15</sup> and were determined that while there should 'be many intimate informal contacts to achieve indispensable harmony', these 'decisions should be through normal channels'.<sup>16</sup>

The British were to be disappointed, too, with the substance of the Anglo-American relationship, particularly in the Middle East. The Americans refused to support passively the wavering British hegemony in the Middle East as the British Foreign Office wished. The 1944 Culbertson Mission indicated the new American interest in the region, and under no circumstances would the US recognize it as a British sphere of influence: 'it does not follow that we should become a sort of junior partner to the British, nor that we should be placed in the position of more or less blindly following the British lead'.<sup>17</sup> The Americans resented British discrimination against their economic interests in the region, and significant Anglo-American tensions developed concerning communications, commercial air transport, postwar trade, and foreign exchange regulations. The US principle of equal opportunity dovetailed neatly with American desires to expand trade with the Middle East; to counter what they saw as the discriminatory British Sterling Area;<sup>18</sup> to further the general foreign policy aim of a multilateral trading system; and to stabilize the Middle Eastern countries against Communism by increasing prosperity and providing an influx of dollars.

Two specific issues clouded Anglo-American relations in the Middle East with bitterness and mistrust: Palestine and oil reserves. The erratic nature of US policy towards Palestine infuriated the British. The Americans also gave offence by the impetuosity with which they tried to force a settlement and proposed 'solutions' which often appeared ill-considered and detrimental to Britain. The crisis provoked one of the frostiest exchanges ever recorded between a British Prime Minister and an American President when Truman's Yom Kippur speech effectively scuttled British negotiations for a bilateral settlement.<sup>19</sup>

Oil was perhaps even more troublesome. The two countries agreed about the broad strategic importance of oil but, when it came to their own respective national interests, petroleum was a persistent source of suspicion and friction. The problem was exacerbated by rival oil companies seeking to involve their governments as they vied for concessions. So sensitive did oil issues become that toward the end of World War II attempts were made to establish an Anglo-American agreement for the orderly development of the international petroleum trade.<sup>20</sup> It failed, and demands continued that oil should be exploited even at the expense of serious rifts in Anglo-

<sup>15</sup> DDE, J. F. Dulles Papers 1951-59, box 10, Churchill Eden correspondence 1954 (3), memo. for the Sec. State from C. W. McCardle, 9 Jul. 1954, p. 2.

<sup>16</sup> *Ibid.*, Subject Series, box 8, Classified, memo. by JFD to Eisenhower, 5 Jan. 1953.

<sup>17</sup> For details see J. A. DeNovo, 'The Culbertson Economic Mission and Anglo-American Tensions in the Middle East, 1944-1945', *Journal of American History*, 63 (1976-77), pp. 913-36; *Foreign Relations of the United States (FRUS)* 1947, vol. 5, memo. by Chief of Division of South Asian affairs, 5 Nov. 1947, p. 579.

<sup>18</sup> For a contemporary defence of the Sterling Area see H. Gaitskell, 'The Sterling Area', *International Affairs*, 28 (1952), pp. 170-6.

<sup>19</sup> The exchange between Attlee and Truman is quoted at length by W. R. Louis, *The British Empire in the Middle East, 1945-51: Arab Nationalism, the United States and Postwar Imperialism* (Oxford, 1984), p. 442.

<sup>20</sup> HST, Papers of R. K. Davies, box 13, subject file, Anglo-American oil treaty 1945-47, folder 3, undated speech.

American relations. For example, Colonel J. H. Leavell, commissioned in October 1943 to provide a basis for an American postwar petroleum policy in Africa and the Near East, advocated the physical and financial separation of British and American oil interests and the expansion of US interests at Britain's expense.<sup>21</sup>

Thus, Anglo-American relations in the Middle East during the AIOC crisis were characterized by economic rivalry and the pursuit of different priorities consonant with each country's changing world status. The Americans believed that the British overemphasized economic issues,<sup>22</sup> pursued discriminatory trading policies, and threatened the stability of the region with their antiquated imperialistic attitude which was a goad to Third World nationalism. The British regarded their American counterparts as often rash and insensitive, as in the case of Palestine. They were not sanguine either that the ideological case for the US's growing involvement in the area justified its potentially predatory economic presence. Deeply conscious of their economic weakness, the British struggled to embroil the US in the Middle East and then struggled to prevent that very involvement from supplanting their interests. Perhaps the classic analogy was that of Harold Macmillan whereby the British were the Greeks in the new Roman Empire. 'You will find the American mind as the Greeks found the Romans—great big, vulgar, bustling people, more vigorous than we are and also more idle, with more unspoiled virtues but also more corrupt'.<sup>23</sup> The British aimed to guide this naive giant,<sup>24</sup> but alas the new Romans often proved ill-disposed to such 'education' and resented their teacher's patronizing attitude and didactic prescriptions.

### Britain and America in Iran

British interest in Iran was long established. In the nineteenth and early twentieth centuries, Iran had been the subject of sharp economic and political rivalry between Britain and Russia. The British succeeded in expanding their influence rapidly, particularly with the discovery of oil, the agreement of the D'Arcy oil concession in 1901,<sup>25</sup> and the decline of Russian involvement in Iran following the Bolshevik Revolution. Indeed, by the end of World War II, Iran, and particularly the oil operations centred on the huge refinery at Abadan (an island at the confluence of the Euphrates and Tigris rivers), was of major importance to Britain.

AIOC operations in Iran were of vital importance to the British Treasury. Increased Iranian oil production brought in more revenue;<sup>26</sup> conversely, if the AIOC

<sup>21</sup> Ibid., folder 5, 'Report of petroleum attaché containing recommendations for an oil policy for Africa and the Near East by Colonel J. H. Leavell', 4 Jun. 1945.

<sup>22</sup> NA, RG 59, box 2768, memo. by G. W. Perkins, 24 Jan. 1950, p. 2.

<sup>23</sup> Cited by M. G. Fry, 'The Special Relationship', *Review of International Studies*, 14 (1988), p. 241.

<sup>24</sup> For a typical expression of this sentiment see the attitude of Viscount Hinchinbrooke cited by L. D. Epstein, *Britain—Uneasy Ally* (Chicago, 1954), pp. 24–5.

<sup>25</sup> This effectively gave the British exclusive rights for a period of sixty years to develop, exploit, refine, transport, and sell natural gas, petroleum, asphalt, and ozocerite from a 500,000 square mile zone. In 1909 the Anglo-Persian Oil Company was formed to develop the concession; it was subsequently renamed the Anglo-Iranian Oil Company and then British Petroleum. For details of the concession see J. C. Hurewitz (ed.), *Diplomacy in the Near and Middle East: A Documentary History*, vol. 1 (Princeton, NJ, 1956), p. 209.

<sup>26</sup> H. Longhurst, *Adventure in Oil: The Story of British Petroleum* (London, 1959), p. 136.



concession were lost, there would be a substantial and damaging dollar drain in Europe and devastating repercussions for Britain. The damage would be disproportionately large owing to Britain's extraordinary dependence on overseas trade, the enormous size of its investment in Iran, and the fact that the oil was paid for in dollars and soft currencies.<sup>27</sup> As the British noted in spring 1949, if they surrendered the AIOC concession 'we should lose our most important single overseas investment, which makes a vital contribution to our balance of payments, and would be obliged to accept probably inadequate compensation, which would be paid in the form of oil deliveries over a limited period of years, after which we would have nothing'.<sup>28</sup>

The crisis also threatened British prestige and had strategic implications. The AIOC was a monument to British enterprise and Abadan was 'one of the greatest and most complex industrial undertakings in the world'.<sup>29</sup> World War II had also brought home the military importance of ample and reliable sources of oil, seemingly vindicating HMG's decision prior to World War I to purchase a controlling share in the company in order to guarantee supplies of oil for the Royal Navy. Indeed, many believed that the AIOC was an instrument of British policy in Iran. It certainly protected British oil interests in the Middle East, and Barry Rubin has even described it as 'a state within a state'.<sup>30</sup>

Thus, the AIOC concession held vast symbolic, economic, military, and strategic importance for Britain's attempt to retain its great-power status. Things became extremely tense in May 1951 when Iran's fiercely nationalistic premier, Muhammad Mossadeq, nationalized the Iranian assets of the AIOC. Britain resolved that Iran should not be allowed to get away with such impudence and that this had to be demonstrated to the world. Economic sanctions and an oil embargo were introduced to starve the Iranians into surrender. Legal proceedings were instituted to vilify Iran in international law. Serious consideration was even given to taking military action against Iran.

However, Britain's policies depended for success upon an independent variable, American support. The oil embargo would be unenforceable without the support of the US government, to which American multinational oil companies looked for advice. Economic sanctions, too, would be futile if the Americans chose to provide aid to Iran. Moreover, without an overt Anglo-American approach, Iran would seek to play the Atlantic partners off against each other and would demand ever more concessions.

American interest in Iran, as in other Middle Eastern countries, grew in the wake of World War II. Stalin's delay in withdrawing Soviet troops from northern Iran in 1946 provoked an international crisis which saw the US champion Iran's independence. US-Iranian agreements thereafter confirmed America's increasing influence in, and concern for, Iran: on 6 October 1947 it was agreed to establish a US military mission; and in September 1948 assistance to the gendarmerie was renewed and a \$10 million credit provided for arms purchases. The onset of the Cold

<sup>27</sup> *FRUS* 1950, vol. 5, National Intelligence Report 14, p. 269.

<sup>28</sup> PRO, FO 371/75496, FO minute outlining possible courses of action for the Foreign Secretary, Apr. 1949.

<sup>29</sup> *The Times*, 21 Jun. 1951.

<sup>30</sup> J. Gallagher, *The Decline, Revival and Fall of the British Empire* (Cambridge, 1982), p. 125; A. C. Millsbaugh, *Americans in Persia* (Washington, DC, 1946), p. 162; B. Rubin, *Paved with Good Intentions: Iran and the American Experience* (Oxford, 1980), p. 12.

War increased American sensitivities about Iran, particularly because of its geo-strategic position and oil resources.

America's reaction to HMG's handling of the oil crisis was in line with its critique of British Middle Eastern policy generally. The preoccupation of the British with their economic position meant that they underestimated the threat of Communism. This was unacceptable. The Americans abhorred the prospect of British military intervention and effectively vetoed it in the summer of 1951. They also opposed Britain's attempt to starve Iran into capitulation, because this could result in losing Iran to the Soviets. The US was at a loss, too, to understand the myopic refusal of British officials to make the minor concessions to Iran which the Americans felt would facilitate a settlement. Moreover, the imperialistic attitude of the British, particularly within the AIOC, pitted them against Third World nationalism which the US wanted to harness against Communism.

The British were bitterly disappointed at the attitude of the US, particularly given their ongoing support of America in the Korean War. They considered the Americans to be excessively pessimistic about the threat of Communism in Iran, naive in Middle Eastern affairs and all too prepared to sacrifice the interests of their primary Cold War ally for the sake of an expedient oil settlement. HMG also believed that the US failure to provide overt support for the British position encouraged Iranian recalcitrance and was thus largely responsible for the deepening crisis. Moreover, America's sharp criticism and propensity to advance new potential oil settlements involving ever greater British concessions to Iran raised fears that the US was manipulating the situation to the advantage of its own oil companies. Repeated American attempts to assuage such suspicions proved largely ineffective.

The British strove to manipulate the Americans into a position more akin to their own, with some success, as was reflected in a joint Truman–Churchill proposal in August 1952 and ultimately a Central Intelligence Agency (CIA)-inspired coup in Iran a year later. Whenever the Americans appeared reluctant, the British procrastinated and made minor concessions to keep the Americans in play and prevent them from adopting an independent policy which would undermine that of HMG. The British also tried to ensure that the Americans did not take advantage of the oil crisis to usurp Britain's position in Iran.

For their part, the Americans aimed to sponsor an oil settlement that would save Iran from Communism and preserve the sanctity of contract. They attempted to manoeuvre the British into a more conciliatory stance and to devise an oil scheme that conformed to the 50:50 profit-sharing precedent established by ARAMCO in 1950. To offer terms better than this threatened to destabilize the world oil markets upon which the West was so dependent. The US kept urging Britain to make concessions to appease Iran; unilaterally advanced limited military and financial aid to Iran; and sought to dissociate itself from the stigma of British imperialism—all much to British chagrin. So strained did relations become that the Americans threatened Britain with, and gave serious consideration to, the adoption of a distinctive policy in Iran, despite all the implications that entailed for the Special Relationship.<sup>31</sup>

<sup>31</sup> NA, LM 73, reel 44, memo. by William E. Warne to Ambassador Loy Henderson, 30 Jul. 1952. See also *ibid.*, Henderson to Berry, 12 Jan. 1952; HST, Oral History, W. E. Warne, 21 May 1988, p. 98; HST, Papers of H. F. Grady, box 2, General File, Articles by Henry F. Grady, 'British American policy in Iran', 18 Mar. 1952, p. 4.

### Global warmth and mutual dependency

These strains were born primarily of the two countries' need to adjust their bilateral relations in accordance with their new world positions. The question therefore is, why did America refuse to break with Britain over Iran? The answer is twofold. First, US policy-makers judged the global importance of the Special Relationship to American interests to be far greater than America's specific interest in Iran. Second, they were unwilling to assume responsibility for the Middle East, relying instead upon Britain to act as guarantor of Middle Eastern security. As a consequence, they tied their own hands when it came to pushing Britain into making large concessions in the Iranian oil crisis.

By the end of 1949, US containment policy seemed in jeopardy. China had been lost to Communism, Communist pressures were growing in Asia, and the Middle East appeared volatile in the face of rising nationalism and Truman's sponsorship of Israel. The US was also experiencing a recession which exacerbated the payments problems of other nations. This prompted fears of a reversion to autarkic policies, reduced production, British retrenchment,<sup>32</sup> and even a Japanese and German *rapprochement* with the Soviet bloc. America's ability to react to the growing crisis was limited by, among other things, administrative shortcomings, revelations of Soviet espionage, and press vilification of Secretary of State Dean Acheson as being 'soft' on Communism.<sup>33</sup> Most alarming of all was the detection in September 1949 of a Soviet atomic test. This broke the US atomic monopoly and demanded a reassessment of American strategic plans and political assumptions.

The response was National Security Resolution 68 (NSC 68), brainchild of the Director of the Policy Planning Staff, Paul Nitze.<sup>34</sup> Endorsed by Acheson, Nitze's ideas effectively militarized containment, recognized that the US could no longer afford to be passive and cede the initiative in the Cold War to the Soviet Union, and shifted the emphasis of containment away from Europe and toward the Third World. To make these ideas work, America needed allies which, in the long run, would be strong and basically friendly and share the same fundamental objectives and values.<sup>35</sup>

Only Britain fulfilled American prerequisites.<sup>36</sup> Cultural and political affinities remained intact between the US and Britain. Even more importantly, Britain's economic and military power and political stability were unequalled by any other possible ally. In 1949 Britain devoted a greater proportion than even America of its

<sup>32</sup> HST, PSF, Intelligence Files, box 257, O.R.E. No. 76-89, O.R.E. 79, 'US Security and the British Dollar Problem', 31 Aug. 1949.

<sup>33</sup> For administrative problems see HST, Papers of H. F. Grady, box 2, Articles, 'How is American Foreign Policy Formulated?', 22 Oct. 1952, p. 6; B. Rubin, *Secrets of State: The State Department and the Struggle over US Foreign Policy* (New York and Oxford, 1987), p. 59. For details of the Alger Hiss perjury case see W. A. Jowitz, *The Strange Case of Alger Hiss* (London, 1953); A. Cooke, *A Generation on Trial: U.S.A. v Alger Hiss* (London, 1950).

<sup>34</sup> For details see esp. M. P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA, 1972); also J. L. Gaddis, *Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy* (Oxford, 1982), ch. 4.

<sup>35</sup> NA, RG 59, box 2768, memo by H. R. Labouisse Jr to Perkins, 27 Feb. 1950; background memo. by Dean Rusk in preparation for a meeting between Acheson, Ambassador Douglas and Sir Oliver Franks, 7 Mar. 1950, p. 2.

<sup>36</sup> This conclusion is supported by Watt who argues that the military implications of NSC 68 'reinforced the necessity of Britain to America'. Watt, *Succeeding John Bull*, p. 118.

national income to defence expenditure,<sup>37</sup> and by 1950 British production was two and a half times that of France and 50 per cent greater than West Germany's. It also retained an important economic position at the centre of the Commonwealth and the Sterling Area and held a vital strategic position in Europe. Furthermore, Anglo-American friendship would encourage the Commonwealth countries to maintain their Western orientation. This was doubly important as the Commonwealth could contribute a ready-made structure to the organization of the 'Free World'. Indeed, the US considered the Commonwealth to be of greater political, economic, and strategic significance than any other existing group.

Consequently, while the range and diversity of British interests were frequently a source of Anglo-American friction, they also placed Britain in a unique position to fulfil many US objectives which the Americans lacked the power, influence or desire to address themselves. In fact, American policy-planners envisaged multiple roles for Britain: leader of an integrated Western Europe; a principal partner in strategic planning and intelligence cooperation; the mainstay of the Commonwealth; an assistant in developing both dependent nations and a multilateral trade system; a supporter of the United Nations; and a supplier of strategic staging posts and military bases (especially nuclear ones in Britain itself).<sup>38</sup> No other nation could fulfil these roles. It was believed to be basic to US interests to develop further the type of relationship which, without formal arrangement, enabled it to station troops in England and its dependants. As a report in February 1950 concluded: 'There is almost no area of the world in which we do not need British help and cooperation. Every effort should be made to formulate and carry out a common policy in each area. Such a relationship places the U.K. in a special or preferred position—the facts of the world situation require it.'<sup>39</sup>

During the London Conferences in April 1950 the British noted of the Americans, 'It is the first time since the war that they have approached us as a partner on the most general issues of policy.'<sup>40</sup> While there was no hiding the growing disparity of power between the two, the Communist threat, in particular, restored for the Americans a sense of mutual dependency and modified the tendency for Anglo-American collaboration to result in the automatic preponderance of US views. The 'specialness' in Anglo-American relations had been renewed, in terms of both quality and importance. This is reflected in an American military report written in April 1950: 'there is and should be a special U.S.–U.K. relationship ... Accordingly an examination of the relationship is necessary, not to see whether it can be retained but to see how it can be strengthened.'<sup>41</sup>

This sense of the overriding importance of the Special Relationship was a consistent theme on both sides of the Atlantic throughout the Iranian oil crisis. At the end of 1951 the US still desired 'to strengthen the relationship and to concert, as far as possible, U.S.–U.K. policies in order to facilitate the achievement of joint

<sup>37</sup> Eight per cent compared to 6.7 per cent. HST, PSF, Intelligence Files, box 257, CIA Report 'The possibility of Britain's abandonment of overseas commitments', 23 Dec. 1949, p. 1.

<sup>38</sup> D. Campbell, *The Unsinkable Aircraft Carrier: American Military Power in Britain* (London, 1984).

<sup>39</sup> NA, RG 59, box 2768, H. R. Labouisse Jr to Perkins, 27 Feb. 1950, p. 4.

<sup>40</sup> Brief for the U.K. Delegation, 'The general approach in bipartite conversations with the American delegation', 21 Apr 1950, in Bullen and Pelley (eds.), *Documents on British Policy Overseas, Series 2, vol. 2*, p. 70.

<sup>41</sup> NA, RG 218, box 20 (US Jt. Chiefs of Staff), Geographical File 1951–53, memo. by the Chief of Staff US Army to Jt. Chiefs of Staff, 19 Apr. 1950, pp. 1–2.

objectives'.<sup>42</sup> After all, Britain was still contributing more than 40 per cent of the defence spending of Europe's NATO members and, in relative terms at least, remained 'the rich man in his palace, not yet the poor man at the gate'.<sup>43</sup> At talks between Truman and Churchill in January 1952 both sides took care to cultivate the relationship at a time of increasing tension over Iran, Formosa, Egypt, European integration and Korea. Upon assuming office, Eisenhower and Dulles re-emphasized the importance of the Anglo-American relationship to the survival of the West. In fact, so strong was this belief in the two countries' mutual dependency that it was able to survive even the Suez débâcle:

We rely on British help, both material and psychological, to implement our policies towards the Commonwealth, Eastern Europe, South Asia and some areas of the Far East. We recognize that the two acting in concert, with the aid of the Commonwealth, form a more persuasive combination than the US acting alone. In addition, we rely heavily on Britain in the military field. Their contribution, next to our own, at present forms the largest national component in NATO and UK territory affords essential bases for US forces in the British Isles, the Caribbean and other areas.<sup>44</sup>

### **The Middle East revisited: an American perspective**

On the global level, then, the strength of the Special Relationship is evident. However, this did not always inhibit the two countries from pursuing independent and contradictory policies in different parts of the world, as on recognition of and trade with China,<sup>45</sup> and can thus be only a partial answer as to why the US felt it impossible to break with Britain in Iran. The other part of the answer lies in American assessments of the Middle East.

The ending of the Berlin blockade and the adoption of NSC 68 shifted the focus of US containment policy towards the Third World. The Middle East was no exception and its growing political importance was reflected in 'a program of mobilization supported by economic controls, and international arrangements and understandings which previously has never occurred in the absence of a state of war'.<sup>46</sup> By the spring of 1952, the US had signed technical cooperation agreements with Saudi Arabia (17 January 1950), Jordan (3 March 1950), Iraq (19 April 1950), and Lebanon (29 May 1950). It had begun increased aid allocations to the region (particularly Greece, Turkey, and Iran); in August 1950 signed a treaty of friendship,

<sup>42</sup> HST, PSF, box 116, Truman Churchill meetings, negotiating paper 'Nature of the U.S.-U.K. relationship', u.d.

<sup>43</sup> J. Gallagher, *Decline, Revival and Fall*, p. 149.

<sup>44</sup> DDE, Whitehouse Central Files, Confidential File, box 9, Subject Series, 21-23 Mar. 1957, Summary Briefing Paper, p. 3. For the resurrection of military cooperation see G. Wyn Rees, 'Brothers in Arms: Anglo-American Defence Co-operation in 1957', in A. Gorst, L. Johnman and W. Scott Lucas (eds.), *Post-war Britain, 1945-64: Themes and Perspectives* (London, 1989), pp. 203-20.

<sup>45</sup> For details of Anglo-American antipathy over China see Lanxin Xiang, 'The Recognition Controversy: Anglo-American Relations in China, 1949', *Journal of Contemporary History*, 27 (1992), pp. 319-43; also D. C. Wolf, "'To Secure a Convenience": Britain Recognizes China—1950', *Journal of Contemporary History*, 18 (1983), pp. 299-326.

<sup>46</sup> HST, McGhee papers, box 1, File Dept. State, 'South Asian Regional Conference of U.S. Diplomats and Consular Offices', 26 Feb.-3 Mar. 1951, p. 6.

commerce, and navigation with Israel; and later started a programme of assistance to the newly independent constitutional monarchy in Libya. It had also secured a mutual defence treaty with Saudi Arabia and access to the Dhahran airfield.

When it came to planning for the security of the Middle East, however, it was felt that little could be hoped for from the Middle Eastern nations themselves, even with a Western-backed Middle East Defence Organization. They were considered as keen to fight each other as to fight the Soviets, and subject to weaknesses 'too deep-seated to permit rapid progress in the short run on an over-all regional basis'. In March 1952, the CIA concluded that: 'For the foreseeable future, effective defense of the Middle East against Soviet aggression is dependent upon the commitment of Western forces for that purpose, regardless of whether a Middle East defense organization is established or not'.<sup>47</sup>

This raised the question, which Western country should defend the Middle East? As far as the US military was concerned, there was only one answer—Britain—and to this they consistently held. The British had a strong tradition of military involvement in the Middle East. The hub of British power lay in the huge Suez base where they had first arrived during the so-called Temporary Occupation in 1882, and by the early 1950s they had established an installation covering 200 square miles and serving as home to more than 70,000 troops. The Royal Navy also enjoyed considerable influence in the area, with representation in Malta, Bahrain, Cyprus, Aden, and the Suez Canal. The Royal Air Force, too, in addition to headquarters in Ismailia, had established bases in Bahrain, Sharjah, Masirah, Amman, on the Shatt-el-Arab border, and in Iraq at Habbaniya and Shaibah. In short, Britain was, without doubt, the most powerful Western nation in the Middle East.

America's predilection to rely upon Britain to provide for the security of the Middle East was bolstered by the US military's fear of over-extension. At the Pentagon talks in 1947 it was agreed that Britain should retain primary responsibility for defence of the Middle East. In December 1951 it was still felt that: 'Under present war plans the US forces are not available for a specific commitment to the Middle East. Those forces which are in the general area could only offer some support to Middle Eastern defense forces. The US therefore considers M.E. defense a British strategic responsibility.' Britain's attempts to secure American assistance in meeting its Middle Eastern obligations conspicuously failed.<sup>48</sup> Even in the pursuit of joint objectives, the US military vetoed involvement in the Middle East. For example, a suggestion by Churchill in January 1952 that the US contribute to the defence of the Suez Canal stirred a hornets' nest in Washington; and even with regard to the proposed Middle East Defence Organization the US 'made it clear that its participation does not involve any commitment of troops'.<sup>49</sup>

Such was the US military's aversion to making any commitments to the Middle East that it clung to British responsibility for defending the area despite increasing

<sup>47</sup> HST, PSF, Intelligence file, box 253, NIE 26, 'Key problems affecting U.S. efforts to strengthen the Near East', 25 Apr. 1951, p. 7; box 258, Specific Estimates No. 21–35, 'Prospects for an inclusive Middle East Defense Organization', 17 Mar. 1952, p. 3.

<sup>48</sup> HST, Acheson papers, box 167, 'Commonwealth capabilities and intentions in the Middle East', 31 Dec. 1951; *FRUS* 1950, vol. 5, memo. by Ambassador at large (Jessup) to Sec. State, 25 Jul. 1950, p. 189.

<sup>49</sup> HST, Acheson papers, box 167, 'Circular airgram to certain missions in the Near East', 15 Aug. 1952; State Dept. to London Embassy, 6 Sep. 1952.

doubts as to the capacity of Britain actually to do so. The Americans knew that British resources were desperately over-committed. Withdrawal from Greece had been an early indication that Britain's capabilities were unequal to its world obligations, and the political necessity of making a military commitment to Europe had further strained its resources. Indeed, Field Marshal Slim was convinced that the fulfilment of this commitment inevitably undermined that to the Middle East.<sup>50</sup> As early as 1950 the British warned that, given their capabilities, their efforts would be concentrated on an 'inner core' of Middle Eastern states centred on Egypt, contrary to developing American ideas based on a Northern Tier strategy focusing on Iran, Pakistan, and Turkey. As George McGhee, Assistant Secretary of State for Near East and African Affairs, recalls: 'it was a matter of deliberate policy that our Joint Chiefs of Staff very carefully thought out to do nothing in the Middle East so that if a vacuum occurred the British would have to attempt to fill it'.<sup>51</sup> This would theoretically force the British to maintain, or even increase, their military presence; ensure that US capabilities were not diluted in areas of greater priority; and, in the event of the Middle East being lost, avoid any explicit American responsibility. In the worst-case scenario, Middle Eastern oil supplies could probably be denied the Soviets by air strikes. Thus, regardless of Britain's increasingly obvious limitations, the US military was determined that the area remain a primary responsibility of the UK, something regarded by Paul Nitze as a 'Never-Never Land kind of analysis'.<sup>52</sup>

Despite fears that the British did not understand the real dangers posed by Communism and that association with British imperialism would thwart American attempts to harness Third World nationalism against Communism, the Americans were not in a position of sufficient strength either to dictate British policy or to adopt their own independent line. An independent policy presumed at best a weakening of America's most important Cold War ally. At worst it could involve a severe rift in Anglo-American relations and even an American assumption of responsibility for the Middle East. The conclusion was simple: 'we could not afford to achieve our objectives in Iran if we "did in" the British at the same time'.<sup>53</sup>

## Conclusion

From the Anglo-Iranian oil crisis many wider conclusions can be drawn about how the two powers sought to redefine their bilateral relations after World War II. In the context of Iran and the Middle East, the inevitable clashes between a burgeoning superpower bent on countering Communism and a declining power desperately seeking to retain influence are starkly revealed. The struggle to manage Anglo-American relations in Iran and the Middle East was more difficult than in almost any other region. Britain was deeply established in the area and, with a *status quo* in Europe and diminished influence in the Far East, HMG was convinced that to remain a great power Britain needed to retain its Middle Eastern position. The need

<sup>50</sup> J. Kent, *British Imperial Strategy and the Origins of the Cold War, 1944-49* (Leicester, 1993), p. 203.

<sup>51</sup> HST, Acheson Papers, Princeton Seminar, box 76, 15-16 May 1954, reel 6, p. 7.

<sup>52</sup> *Ibid.*

<sup>53</sup> DDE, Ann Whitman file, NSC Series, box 4, 136th meeting NSC, memo. of 136th meeting NSC on Wednesday, 11 Mar. 1953, 12 Mar. 1953.

for oil intensified Britain's determination to hold off challenges to its supremacy, and heightened British sensitivity toward suggestions of compromise. Yet its severely weakened economic position meant that, to retain traditional influence in the Middle East, American support was needed. This entailed an almost impossible management task. A reluctant US had to be involved in the Middle East; yet its involvement must not be such as to threaten British influence. How could this be achieved? To introduce the US to the Middle East, the Communist threat had to be emphasized. However, when the Americans moved to counter Communism they often overrode British interests. For example, British objectives demanded that Britain and America be seen to stand together, but the Americans resisted an overt Special Relationship because they feared association with British imperialism. Similarly, the US supported against Communism the same Third World nationalism that challenged established British interests. Moreover, the involvement of the US in the Middle East meant the British opening traditional markets to their greatest economic rival and, therefore, a new threat to British trade and influence. In short, if the correct balance was not struck, the US could just as easily weaken as support Britain's position in the Middle East.

Iran was a case in point. The Americans' traditional anti-imperialism predisposed them to sympathize with Iranian aspirations. More importantly, American pre-occupation with Communism clashed with Britain's determination to protect its economic interests. The US sought to harness for anti-Communism the same Iranian nationalism which Britain tried to quell, and urged concessions on the British which the latter deemed contrary to their national interests. Financial, political, strategic, and military imperatives demanded that Britain reject any solution which smacked of appeasement. Britain did not, could not, and would not share US political priorities or assessments of the Iranian situation.

However, the fact that America did not pursue an independent policy in Iran reveals that there was sufficient mutual dependence to safeguard the Special Relationship. For the Americans the threat of Communism, particularly after the Berlin Blockade, the Soviet atomic test, and NSC 68, was important in restoring a sense of mutual need rather than domination to what was an increasingly asymmetric Anglo-American relationship. Thereafter, common Anglo-American long-range objectives and values facilitated broad agreement on general principles and improved cooperation in many fields. Indeed, the problems created by the changing balance of forces within the Special Relationship were largely mitigated by a combination of consanguinity and the US need for British help with the policy of global containment. This did, beyond any doubt, allow the British special access to, and influence in, Washington.

Frustrated by the British attitude and fearing a second China in Iran, the Americans seriously considered a policy independent of Britain's. Yet, to the chagrin of some US officials at least, they found that they could not afford to go it alone. They were trapped in a mediatory role that they had neither the resources nor influence to play. Britain was America's closest and most important Cold War ally, had the traditional influence in the Middle East to counter Communism, and was the Western power designated the task in American grand strategy of defending Iran and the Middle East. To adopt a unilateral policy in Iran would at best severely undermine Britain's capacity and willingness to fulfil more important American needs, not least military defence of the Middle East. Thus, the larger considerations



of the importance of the Special Relationship and an unwillingness to commit forces to the Middle East dictated that the Americans could not break with Britain over the Anglo-Iranian oil crisis. They concluded that 'broad strategic considerations limit the extent to which we may force the U.K.'s terms for the purpose of achieving a compromise on the oil question. As one person put it, "there is no plan (for resolving the oil question) which we can afford to put forward which the British would not accept."<sup>54</sup>

<sup>54</sup> Ibid.