

ROUNDTABLE: MOSSADEQ'S OUSTER AT 70 – LEGACIES AND MEMORIES

Oil and the US Decision to Overthrow Mosaddeq

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On August 19, 1953, Prime Minister Mohammed Mosaddeq was removed from office by a coalition of Iranians, including Mohammed Reza Shah Pahlavi (r. 1941–79) and members of the armed forces, supported by the United States and Great Britain. The US provided considerable financial, logistical, and organizational support to the coup, which was code-named Operation TPAJAX by the Central Intelligence Agency (CIA). Although the British had been committed, in one form or another, to removing Mosaddeq since he first became prime minister and nationalized Iran's British-owned oil industry in May 1951, the US did not determine to overthrow Mosaddeq by coup d'état until spring 1953, shortly after the administration of President Dwight D. Eisenhower came to office.¹

Official histories justify the operation as necessary to prevent Iran's fall to communist influence, and the subsequent narrative embraced by US officials was that Mosaddeq had been on the verge of erecting a communist-influenced dictatorship.² Although they dispute the veracity of such justifications, subsequent scholars have utilized newly declassified documents to emphasize the significance of communism and Cold War strategic concerns in US decision-making. The most significant declassification of documents occurred in 2017, with the publication of the long-delayed retrospective volume in the *Foreign Relations* series published by the US State Department's Office of the Historian focusing on US activity in Iran.³ The new documents alone did not present a radically new interpretation of the US role in the coup of 1953—if anything, they cemented preexisting interpretations. However, the documents when read with previously declassified material from the US National Archive and other sources provide valuable support for situating the US intervention in Iran as both combating communism (i.e., the Cold War, strategic argument) and controlling Iran's oil reserves. Although concerns about communism influenced US policy with regard to Iran,

¹ *Foreign Relations of the United States, 1952–1954*, vol. 10, *Iran, 1951–1954* (Washington, DC: US Government Printing Office, 1989), hereafter *FRUS 1952–1954 10*; *Foreign Relations of the United States, 1952–1954, Iran, 1951–1954*, 2nd ed. (Washington, DC: US Government Printing Office, 2017), hereafter *FRUS 1952–1954 Retro*.

² Donald N. Wilber, *Clandestine Service History: Overthrow of Premier Mosaddeq of Iran, November 1952–August 1953* (Washington, DC: Central Intelligence Agency, 1954), <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB28/>; CIA History Staff, *The Battle for Iran, 1953* (Washington, DC: Central Intelligence Agency, 1981, 2011, 2014), <https://nsarchive2.gwu.edu/NSAEBB/NSAEBB476>; Scott A. Koch, “Zendeabad, Shah!”: *The Central Intelligence Agency and the Fall of Iranian Prime Minister Mohammed Mossadeq, August 1953* (Washington, DC: Central Intelligence Agency, 1998), <https://nsarchive.gwu.edu/document/16330-document-2-zendeabad-shah>. The narrative was upheld by interviews with US diplomats; see John F. Harter, “Mr. Foreign Service on Mossaddeq and Wristonization: An Interview with Loy W. Henderson,” *Foreign Service Journal* 57 (1980): 16–18.

³ The declassification of US documents pertaining to the coup has followed a twisted path. See Gregory Brew, “A Review of *Foreign Relations of the United States, Retrospective: Iran, 1951–1954*,” *Passport: The Society for Historians of American Foreign Relations Review* 48 (2018); and Malcolm Byrne, “When History Meets Politics: The Challenging Case of the 1953 Coup in Iran,” in *United States Relations with China and Iran*, ed. Osamah F. Khalil (London: Bloomsbury Academic, 2019), 121–40. See also Mark J. Gasiorowski, “U.S. Perceptions of the Communist Threat in Iran during the Mosaddeq Era,” *Journal of Cold War Studies* 21, no. 3 (2019): 1–37.

the coup decision was ultimately made to resolve Iran's long-running oil nationalization crisis and prevent Iran from remaining "oil-less." This concern was wedded to US views of Iran as an unstable and weak state threatened by communism, one that required access to oil revenues to maintain its pro-Western strategic alignment. Communism and oil were therefore closely linked in the US decision to remove Mosaddeq by covert means.⁴

Background to the Crisis

To comprehend the US decision to intervene directly in Iranian politics in 1953, it is necessary to first contextualize US policy in Iran both immediately before and during the oil nationalization crisis. In 1950, the United States became concerned that the oil issue—succinctly, the political challenge posed by the nationalist movement led by Mohammed Mosaddeq to both the British oil company and the Pahlavi government—was disrupting Iran's internal politics and threatening the national economic development plan, which the Pahlavi state was attempting to implement with help from Western experts and financial support from the profits of the oil industry. Without oil revenues secured from a deal with the British company, Iran would succumb to internal disunity and economic malaise, strengthening the indigenous communist organization, the Tudeh Party, and making it a ripe target for Soviet subversion. This, at least, was the prevailing US view.⁵

Strategic concerns beyond the Iranian context played into this fear. As ever, it is important to read US policy in the context of the broader Cold War, as relevant figures within the US national security state were juggling a variety of policy portfolios. Following the detonation of a Soviet nuclear device in late 1949 and the outbreak of the Korean War in June 1950, the US took a more ardent, militarized position against the expansion of Soviet influence.⁶ The US also was concerned about disruptions to the global oil economy, which had its own strategic element. Along with the British firm, a small group of Western companies (mostly American) dominated the international oil trade through their control of oil production in the Global South. As with Iran, other states in the region—Saudi Arabia, Iraq, and Kuwait, among others—had provided concessions to Western companies to operate their oil industries. Talk of nationalization in Iran was threatening both to the broader US interests in the area and to the flow of Middle East oil to markets in Europe and Japan. Without that stable flow—regardless of the profits produced for US firms, which US policymakers generally regarded as a secondary concern—postwar reconstruction would falter and Cold War containment would prove more difficult to maintain.⁷

The US therefore made efforts in 1950 to manage the situation in Iran toward an end goal of addressing both security concerns linked to the spread of communism and the stable flow of Iranian oil and Iranian oil revenues back to the Iranian state. Officials backed a government led by former general 'Ali Razmara, who vowed to push through a new oil agreement,

⁴ This argument features prominently in my work on the coup, including my recent coauthored book, *The Struggle for Iran*, which is the first book-length study to incorporate available US evidence, both older material and recently declassified documents. Versions of this argument appear in Gregory Brew, "The Collapse Narrative: The United States, Mohammed Mossadegh, and the Coup Decision of 1953," *Texas National Security Review* 2 (2019): 38–59; and David S. Painter and Gregory Brew, *The Struggle for Iran: Oil, Autocracy, and the Cold War, 1951–1954* (Chapel Hill, NC: University of North Carolina Press, 2023). For the nationalization crisis, see Mostafa Elm, *Oil, Power, and Principle: Iran's Oil Nationalization and Its Aftermath* (Syracuse, NY: Syracuse University Press, 1992); and Mary Ann Heiss, *Empire and Nationhood: The United States, Great Britain, and Iranian Oil, 1950–1954* (New York: Columbia University Press, 1997).

⁵ FRUS 1950 5, doc. 233, Memo for the Files, undated; doc. 234, McGhee to Acheson, 25 April 1950.

⁶ Melvyn P. Leffler, *A Preponderance of Power: National Security, the Truman Administration, and the Cold War* (Stanford, CA: Stanford University Press, 1992); Melvyn P. Leffler, "The Emergence of an American Grand Strategy," in *The Cambridge History of the Cold War*, vol. 1, ed. Melvyn P. Leffler and Odd Arne Westad (New York: Cambridge University Press, 2010), 67–88.

⁷ FRUS 1952–1954 5, doc. 102, NIE-14, "The Importance of Middle East Oil to Western Europe under Peacetime Conditions," 8 January 1951; David S. Painter, "The Marshall Plan and Oil," *Cold War History* 9, no. 2 (2009): 159–75.

crush the communist Tudeh Party, and revitalize the country's national development plan.⁸ However, none of Razmara's ambitious plans came to fruition. The British refused to adjust the terms of their oil offer, insisting on a division of profits that both Razmara and the Americans found unacceptable. Razmara had to contend with both Mosaddeq and a recalcitrant shah, who customarily opposed a strong prime minister and took every opportunity to undermine Razmara's position. In December 1950, neighboring Saudi Arabia signed an agreement with US oil companies splitting profits from production "fifty-fifty," rendering the British offer obsolete.⁹ Razmara gave a speech rejecting nationalization before parliament on March 3, 1951—one which the British oil company helped him draft—and was assassinated several days later.¹⁰ In the ensuing confusion, Mosaddeq's National Front took effective control over parliament, and in late April an attempt by the shah to appoint a pro-British prime minister backfired when the assembly selected Mosaddeq instead. The nationalist leader agreed to accept the position on the condition that the nationalization bill be voted into law; this was done on April 27, with the shah signing the legislation on May 1.

US Attempts to Resolve the Oil Crisis: The Coherence Question

Among other concerns, the US worried that a successful nationalization in Iran would lead the properties of US oil companies to be nationalized elsewhere in the region. The US maintained throughout the crisis that policies fostering instability inside Iran could backfire and maintained that a deal between Mosaddeq and the major oil companies was the only viable solution to the crisis. The US had a low estimation of the shah and other elite politicians and believed that only Mosaddeq could successfully negotiate a favorable deal with the British without risking further internal unrest.¹¹ For these reasons, the US supported diplomacy rather than regime change. US policy was not "pro-Mosaddeq" so much as it was "anti-alternative." The US government maintained this position from May 1951 to early 1953, albeit with occasional deviations based on changes to Iran's internal politics.¹² However, the focus on diplomacy was complicated—and frequently contradicted—by the American desire to maintain the structure of the global oil industry, combat communism inside Iran, and support the British, who were much more determined in their efforts to weaken and eventually replace Mosaddeq.

As they attempted to find common ground with Mosaddeq over an oil deal, the Americans worked to combat communist influence inside Iran through covert means, an element of US policy which newly declassified sources have shed more light on. Apart from monitoring communist activity, US operations aimed at bolstering noncommunist forces, particularly among Iran's well-armed tribal populations.¹³ Although certain CIA officials and advisers supported the idea of removing Mosaddeq, they were overruled by the State Department as well as the CIA station chief in Tehran.¹⁴ When the British, who were forced out of Iran in October 1952, approached the US with a plan to topple Mosaddeq through covert means, they were politely but firmly rebuffed. A similar plan concocted by Max Thornburg, the former adviser to prime minister Razmara, was found to be

⁸ Gregory Brew, *Petroleum and Progress in Iran: Oil, Development, and the Cold War* (Cambridge, UK: Cambridge University Press, 2022), 77–82.

⁹ David S. Painter, *Oil and the American Century: The Political Economy of U.S. Foreign Oil Policy, 1941–1954* (Baltimore, MD: Johns Hopkins University Press, 1986), 167–71.

¹⁰ Painter and Brew, *Struggle for Iran*, 34–36.

¹¹ *Ibid.*, 37–52.

¹² For changes in the US position, particularly surrounding the July 1952 crisis, see *ibid.*, 65–144.

¹³ Mark J. Gasiorowski, "The CIA's TPBEDAMN Operation and the 1953 Coup in Iran," *Journal of Cold War Studies* 15, no. 4 (2013): 4–24.

¹⁴ *FRUS 1952–1954 Retro*, doc. 20, Memo Prepared in Office of National Estimates, CIA, 1 May 1951; doc. 23, Tehran Desp. 899, 5 May 1951; doc. 24, Telegram from Station in Iran to CIA, 6 May 1951; doc. 25, Minutes of CIA Director Smith's Meeting, 9 May 1951.

“unrealistic.”¹⁵ Nevertheless, covert assets inside the country were expanded in 1951–52 to the point that they represented a meaningful asset, one that the US would eventually turn against Mosaddeq and the National Front in 1953.

Before making that decision, however, the US put considerable time and effort into a new proposal to resolve the oil nationalization crisis in late 1952. The goal of the US effort was to get Iran’s oil back on the global market and facilitate the flow of financial aid to Mosaddeq’s government. It is important to recognize, however, that this policy was not entirely coherent and remained susceptible to competing pressures. The US position on the Iran oil embargo was illustrative of this. Following nationalization, the British oil company withdrew from Iran and the British imposed an embargo on Iran’s oil exports, supported by the other major oil companies. As a result, Iran’s oil exports dropped from over 600,000 barrels per day in early 1951 to zero by the end of the year.¹⁶ This placed considerable financial pressure on Mosaddeq’s government. According to analysis from the US Embassy, the oil industry contributed roughly one-third of the government’s budget and three-quarters of Iran’s foreign exchange earnings, helping the country cover a sizable trade deficit and warding off balance of payment pressures.¹⁷ Although Iran’s economy appeared resilient enough to withstand the shock of an oil cutoff, by late 1952 the US had become concerned that permanent “oil-lessness” would create political pressures within Iran’s system facilitating a potential communist takeover.¹⁸ Despite this fear, the US never broke with the British on the embargo, which was actively supported by major US oil companies.

Rather than break the embargo, the Truman administration attempted, in its last weeks in office, to implement a deal that would preserve Mossadeq’s political position while resolving the embargo and restarting the flow of Iranian oil revenues. A proposal was put in place in December 1952, one that awarded \$100 million to Mosaddeq should he agree to a settlement allowing major oil companies to restart Iran’s oil exports. The administration of President Harry S. Truman, which had only a few more weeks in office, worked tirelessly during December and January to entice both the British and Iran into the deal. Eventually, however, the offer failed to get through the gridlock. Although Mosaddeq desired US financial assistance and was willing to sell oil to foreign companies, he chafed at the restrictions of the deal that prevented Iran from setting its own price and determining the volume of its exports.¹⁹

The key issue on which negotiations collapsed, however, was the issue of compensation. Here, again, the contradictory impulses within US policy sabotaged a potential diplomatic breakthrough. Mosaddeq held that the British were owed compensation only for the physical facilities they had constructed in Iran, including the Abadan refinery, worth approximately \$30 million. The British felt that such a low compensation award would encourage nationalizations elsewhere; they also were determined to keep the Americans “in play” with the hope that eventually the US might support their efforts to have Mosaddeq removed.²⁰ The British ambassador in Washington assured Foreign Secretary Anthony Eden that they could withstand the “twists and turns” of the negotiations, and eventually “bring the State Department along with us.”²¹ The British therefore set their compensation expectations to include “loss of enterprise,” which was taken to mean profits that would have been earned over the remainder of the concession, from 1951 to its expiration in 1991. US officials knew this would not meet with a favorable response from Mosaddeq and spent

¹⁵ *FRUS 1952-1954 Retro*, doc. 126, Memo from [name not declassified] to Roosevelt, 1 October 1952, note 3.

¹⁶ Mary Ann Heiss, “The International Boycott of Iranian Oil and the Anti-Mosaddeq Coup of 1953,” in *Mohammad Mosaddeq and the 1953 Coup in Iran*, ed. Mark J. Gasiorowski and Malcolm Byrne (Syracuse, NY: Syracuse University Press, 2004), 187–89.

¹⁷ Brew, *Petroleum and Progress*, 86–116.

¹⁸ Brew, “Collapse Narrative,” 43–44; Brew, *Petroleum and Progress*, 128–34.

¹⁹ Painter and Brew, *Struggle for Iran*, 117–44.

²⁰ *Ibid.*, 133–38.

²¹ British Embassy US 217, 1 February 1953, FO 371/104611, UK National Archives.

some weeks in early 1953 trying to convince the British to lower their demands. A compensation award estimated to exceed \$1 billion “would not be likely to survive long,” under any government that might succeed Mosaddeq.²² But the British would not budge. Mosaddeq tacitly rejected the offer on 15 January, although the formal rejection did not come until March.

Try as they might, the US could not convince the British to moderate their position on compensation, nor were they willing to push Mosaddeq harder on his position. A final option, to offer Mosaddeq unilateral financial assistance and obviate the need for an oil deal, was dismissed by the Eisenhower administration, which came to office on 20 January, just as negotiations over compensation were falling apart. On 24 January, the ambassador in Iran, Loy Henderson, wrote a lengthy memo to the new administration, in which he laid out the risks of offering Mosaddeq financial assistance without a suitable oil agreement, which might undermine “the principles on which stable international economic relations must be based.”²³ A lawyer with long-standing ties to the oil industry, the new US secretary of state, John Foster Dulles, felt it was an “inescapable fact” that Iran would soon begin to defy the British embargo and ship oil, although it would not be able to earn sufficient funds from doing so to avoid long-term economic problems.²⁴ Any action that destabilized the global oil market, without sufficiently resolving the conundrum of Iran’s oil-lessness, “might in the long run have more serious consequences” than failing to prop up Mosaddeq.²⁵ The CIA concluded that Iran could sell three to seven million tons of oil per year by using tankers that were not controlled by the major companies, although it would be forced to offer steep discounts.²⁶ It was in early 1953 that the US became more concerned that inaction would result in the effective breaking of the embargo, removing the need for Mosaddeq to agree to an oil deal. Although this would benefit Iran’s fragile economy, it would potentially undermine the fabric of the international oil industry and undermine both the British and the US oil companies.

The oil issue appeared intractable, and the domestic political situation in Iran was worsening, from the US perspective. Opponents to Mosaddeq had been conspiring against him since 1951, often with British support, but the failure to resolve the oil problem had fractured the National Front coalition. By early 1953, many of Mosaddeq’s powerful supporters had broken from him, and on February 28 he formally broke with the shah, with whom he had hitherto maintained decent relations.²⁷ The US viewed such developments as alarming, as they suggested Mosaddeq eventually would be forced to rely on support from the Tudeh Party to maintain his position. The view of Mosaddeq as a powerful noncommunist political force therefore also shifted in early 1953. At a pair of crucial meetings of the National Security Council in early March, Eisenhower, the Dulles brothers, and others worried that the situation in Iran might deteriorate to the point that nothing could be done; they concluded that siding with Mosaddeq in the oil dispute or offering him unilateral assistance would not improve the situation.²⁸

The Coup and the Consortium

It is important to frame the coup decision in spring 1953 in the context of the oil crisis, as seen from the US perspective. As illustrated by both newer documents pertaining to covert operations and previously declassified material related to the US view on the oil dispute, the chief fear was that, in the absence of an oil agreement linking Iran to the existing oil

²² Tehran 2948, 30 January 1953, 888.2553/1-3053, RG 59, US National Archives.

²³ Tehran 2865, 24 January 1953, 888.2553/1-2453, RG 59, US National Archives; Note to Dulles, 5 March 1953, 888.2553/3-553, RG 59, US National Archives.

²⁴ *FRUS 1952-1954* 10, doc. 296, State 5294, 10 February 1953.

²⁵ British Embassy US 288, 10 February 1953, FO 371/104612, UK National Archives.

²⁶ Allen Dulles to John Foster Dulles, 18 February 1953, 888.2553/2-1853, RG 59, US National Archives.

²⁷ Painter and Brew, *Struggle for Iran*, 138–43.

²⁸ *FRUS 1952-1954 Retro*, doc. 171, NSC Meeting, 4 March 1953.

industry operated by Western oil companies, the internal Iranian political situation would deteriorate to the point that communist control became likely. For the Eisenhower administration, Iran's internal situation appeared untenable as long as the oil industry remained inactive. These concerns combined with US assessments of the domestic political situation that highlighted the weakening of traditional conservative pro-Western forces, most notably the shah, and the apparent recovery of power and influence by the Tudeh Party.²⁹ The decision to remove Mosaddeq, which was probably made in April 1953 (the documentary record on this point is unclear) was taken to forestall a communist government from coming to power in Iran; its immediate goal was to replace Mosaddeq with a government that would be able to conclude the oil crisis, restart the flow of Iranian oil, and rescue Iran from an apparent oncoming economic and political calamity.³⁰ The US intervention in Iran therefore had two well-defined and coordinated stages: regime change and oil agreement.

The operation was planned in June and July 1953 and carried out on August 19, following a failed first attempt on August 16. Although newly declassified documents provide some additional color to the nature of the operation, where they provide greater insight is in the nature of the US political intervention and US policy in the aftermath of the coup operation, during the crucial year of September 1953 to September 1954. The new government was led by the shah and former general Fazlollah Zahedi. The US regarded Zahedi as a suitable leader due to his willingness to align with the shah and his openness to making a new oil deal "in accordance with accepted principles of international intercourse."³¹ In the aftermath of the coup, the US provided Zahedi with emergency financial assistance, breaking with the previous policy of not providing aid, so that Zahedi's position could be stabilized but with a clear view to implementing an oil agreement: the US furnished his government with \$45 million to cover its budget and made it clear that further assistance would be contingent on Zahedi's government settling the nationalization crisis.³²

Whereas the British were eager to return to their former position in Iran, the Eisenhower administration concluded that a return to the pre-nationalization status quo would be intolerable to Iranians and jeopardize the political stability of the new government. It opted instead for a consortium of companies, including all five major US firms plus a French company, to combine with the British and take over the former concession. Herbert Hoover Jr., serving as US special representative, argued to Zahedi and the shah that only with the "complete cooperation of the entire petroleum industry" could Iran's oil be smoothly reintegrated with world markets.³³ Privately, Hoover admitted that the terms put forward by the US were a step backward from the proposal put to Mosaddeq in early 1953, which would have allowed Iran to retain management of the industry. What was framed was a "partial negation of nationalization," because Hoover believed that Iranian control of production would have "extremely serious repercussions" on operations elsewhere, leading to nationalizations in other oil-producing regions "within a relatively short time."³⁴ Although the British objected to the dilution of their original monopoly and the shah and Zahedi pressed for greater Iranian influence over production, the US government possessed sufficient leverage to secure British and Iranian acquiescence and produce an agreement that met US needs first and foremost. Other major companies, although hesitant to take a share in Iran so soon after nationalization, were given favorable terms and allowed to bring Iranian oil

²⁹ Maziar Behrooz, "Tudeh Factionalism and the 1953 Coup in Iran," *International Journal of Middle East Studies* 33, no. 3 (2001): 365–66; Painter and Brew, *Struggle for Iran*, 159–61.

³⁰ Brew, *Petroleum and Progress*, 135–47.

³¹ *FRUS 1952–1954 Retro*, doc. 256, Statesman Memo, undated; doc. 299, Nash to Cutler (draft), undated; doc. 301, Zahedi to Eisenhower, 26 August 1953; doc. 302, Eisenhower to Zahedi, 26 August 1953.

³² *Ibid.*, doc. 299, Nash to Cutler (draft), undated; doc. 304, NSC Meeting, 27 August 1953.

³³ *FRUS 1952–1954* 10, doc. 369, State 853, 23 September 1953.

³⁴ *FRUS 1952–1954* 10, doc. 369, State 853, 23 September 1953; Memo of Conversation, "Discussion Regarding the Iranian Oil Problem," 25 September 1953, 888.2553/9-2553, RG 59, US National Archives; Heiss, *Empire and Nationhood*, 191.

back onto the market gradually, protecting their investments elsewhere and forestalling a serious drop in oil prices. A final agreement was signed in October 1954.³⁵

The creation of the Iran Consortium concluded the coup operation. In the US view, the covert operation of August 1953 facilitated a change in regime, and the subsequent oil negotiations confirmed the survival of that regime and the end of the threat posed by nationalization to the global oil economy, as well as Iran's internal stability and pro-Western strategic alignment. It is crucial to include both the oil negotiations and the final consortium deal in any analysis of the coup itself, which would not have been deemed a success in the eyes of US policymakers without the final deal to reincorporate Iranian oil into the world market. A nuanced reading of newly declassified documents, as well as older material relating both to US policy in Iran and its approach to the oil crisis, represents the US intervention in 1953 as stemming from concerns surrounding the issue of communism as well as the security and stability of the global oil industry. Although not a smooth process, the road to the coup decision in 1953 was closely linked to prevailing US concerns before 1951, which frequently linked the issues of Iranian political stability, oil flows, and the strategic imperative to contain the spread of communist influence together as a single perspective.

³⁵ Painter and Brew, *Struggle for Iran*, 185–93.