Chapter I

Introduction: Historical Involvement of Major Powers in Earlier Times

Turkistan, Afghanistan, Transcaucasia and Persia— to many these names breathe only a sense of utter remoteness or a memory of strange vicissitude and of moribund romance. To me, I confess, they are pieces on a chessboard upon of which is played out a game for the domination of the world.

-Lord Curzon

In mid-19th century when two Swedish Nobel brothers, Ludvig and Robert, were moving toward west-Caspian to establish their Branobel oil company in Baku, two British officers, Colonel Charles Stoddart and Capitan Arthur Conolly, were to be beheaded in east-Caspian city, Bukhara. The Great Game, ironically first coined by Conolly (immortalized by Kipling), had already started, with a play-scene stretching from ‘snow-capped Caucasus’ to ‘the great-deserts and mountain ranges up to Chinese Turkistan’ (Hopkirk 1994:2). While the nature of the early expansionist western-oriented competition in and around the Caspian Sea region (CSR) was for both commercial and territorial interests, in later stage these two interests would merge particularly for ‘oil and influence’, thereby fading the gap between geo-economy and geopolitics. Nonetheless what had aroused rivalry among big powers of 18th century was British India and what have already ignited the rivalry in 21st century are CSR’s energy reserves and geopolitics. CSR’s real re-entry in the play-board would take

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1 In this work, Caspian Sea region (CSR) geographically is defined as Caspian Sea and the five littoral states to the Sea; Russia, Iran, Azerbaijan, Kazakhstan and Turkmenistan, non-littoral states of Armenia and Georgia. Therefore part of Central Asia and all of Caucasus are falling into CSR. In political debates it may extend further to include the proximate states of Turkey, Uzbekistan and Afghanistan. However, it cannot be taken as equivalent to ‘Central Asia’ which geographically and commonly is understood as the region encompassing the five former Soviet ‘stans’ of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan; though historically, Central Asia extends beyond the borders of the five Central Asian Republics to Xinjiang in Northwest China, Khorasan in Northeast Iran, and Northern regions of Afghanistan, Pakistan and India.
place a century later for its oil, this precious commodity. It won’t be an exaggeration to say that CSR’s importance lies in nothing but in its geography and oil, and what matters today is nothing but oil.

To discuss the historical course of the region, this chapter briefly touching region’s antique oil history will be framed into three levels of: 1) 19th Century: Classical Great Game, Early-Rivalry, Early-Oil Boom, 2) Early & Mid-20th Century: WWI, WWII, Oil-Fall and 3) Late-20th Century Onward: New Great Game, Late-Rivalry, Late-Oil Boom.2

Caspian Early Oil History

Since immemorial times, the oil history in this part of the world has mixed up with mystic and mysticism. Mythical Prometheus stole fire from heaven, got chained to a Caucasus mountain peak and was finally rescued by Hercules. Zoroaster began to preach his religion in this region (Van der Leeuw 2000:22). From Alexander (331 BC), Sassanids (5th and 4th BC), Arabs (885 AD), Mongols (1231), Safavids (16th AD) and Russians (18th AD) to the launch of Nobel’s oil factory in 1882 in Baku and colonization of two sides of the Sea by Soviets, the region’s oil history has seen many upheavals.

Existence of oil in Baku/Azerbaijan - a traditional and historical centre of the oil industry - can be traced as far back in time as the 5th or even the 3rd century AD 3 (Van der Leeuw 2000: 30). However, reliable recorded source on existence and exploitation of region’s oil comes from Arab explorer Al-Mas’udi and Venetian traveler Marco Polo (1254-1324). Visiting Baku in 915 AD, Al-Mas’udi narrated: ‘Many ships sail to Baku, since there exists a well of white naphta along with other species of naphta- and, God be my witness, there is no better naphta than here. The city is situated in the kingdom of Shirvan and within its district of Nafata there are innumerable chimneys fed by fire that burns eternally’. Passing northern Persia and hearing about Baku in the winter of 1271-72, the Italian traveler reported: “on the edge of Armenia in the direction of Georgia there is said to be a fountain from which oil spurts in voluptuous quantities, so much that one could fill a hundred shiploads at the same time with them. This oil is unfit for consumption, but it burns in an excellent way and moreover serves as a remedy against camels’ scabies. Folk from remote

2 To be discussed in Chapter 4.
3 “Heating by the use of natural gas was a common feature in Baku at the times of the Sassanids who ruled over Azerbaijan in the 5th and 4th centuries.”
areas come here to fetch this oil, since in none of the surrounding lands oil of this caliber can be found" (Forbes 1963:34). About mud volcanoes and natural gas, he recorded the "Eternal Fires of the Apsheron Peninsula", where flames of natural gas - seeping out through fractured shales had been worshipped. For centuries, oil was that much close to reach that 35-meters hand-dug holes were enough to extract oil. Till the beginning of 19th century, Baku’s oil was carried in leather bags on the mules, donkeys and camels or later via wooden barrels on arabas to the regional markets. This changed dramatically soon after the demand for oil increased (LeVine 2007:19-25). Persian internal disorders in mid-18th century led to Peter the Great’s occupation of Baku in 1722 and oil wells. Though Russians had to evacuate Azerbaijan in 1735, they returned in 1806 again, this time with full supremacy and did not leave till late 20th century.

The massive and commercial export of oil began by local oil barons namely Zeynalabdin Taghiyev and the Nobel brothers. Introducing first oil-pipeline in 1877 and inventing the world's first oil-carrying steamship in 1878 named Zoroaster, the Nobel brothers changed the fate of the Black city. In 1883 Rothschild railroad operated carrying oil from Baku to Batumi turning it into a boom town. Few years later on July 22nd 1892, Rothschild-owned Murex oil tanker filled up at Batumi and a month later, on August 23, it went on to deliver oil to distant markets passing through the Suez channel.

Imperial Russia influenced and controlled the region but extensive exploitation of the region’s oil took place by western companies such as Nobel, Rothschild, and Royal Dutch which joined the local oil barons in late-19th century. Drilling first oil well in Bibi-Heybat in 1846 and employing newly developed drilling and refining techniques of the time, Azerbaijan had already been a decade ahead of American oil industry which started in Pennsylvania in 1859. Following 1885-early oil boom, Azerbaijan was producing more than half of the world’s oil and by 1901 it had outpaced the US in oil output with 11.5 million tons a year to 9.1 million tons (Hiro 2007:11).

Chechnya should not be ignored when it comes for oil extraction. Though it had never been a rival to Azerbaijan in terms of volume and importance, oil also affected Chechnya’s fate. If not much in earlier centuries but in our time oil has been one of the key factors shaping Chechnya’s life. By 1890, the first oil well in Chechnya was struck in Mamakai district, where shallow pits were producing 36,000 tons of oil. Unlike Baku,
Grozny’s fate and existence was not bound with oil. It was just built by Cossacks in 1818 as a military base to contain the Chechen warriors who had delayed the Russian southward advance for decades (Van der Leeuw 2000:74).

**19th Century: Classical Great Game, Early-Rivalry, Early-Oil Boom**

Great game started before the 19th century, but the marking point can be assumed approximately from the Russo-Persian Treaty of 1813 and its ending time can be taken about Anglo-Russian Convention of 1907. What is referred to as the classic Great Game period is understood as Russian 19th century southward-advance on both sides of Caspian toward the “jewel in the crown” of the British Empire, India. Meanwhile, France, another power of the time, had an eye on India and played the Great Game, though for very short time.

Napoleon Bonaparte’s brilliant victories in Europe were encouraging enough for yet another victory in Asia. ‘His breathtaking plan was to march 50,000 French troops across Persia and Afghanistan’, and joining Tsar Alexander I’s Cossacks and crossing Indus, to conquer India. Learning such a plan, Britain dispatched diplomatic missions to Shah of Persia and Amir of Afghanistan to discourage both of them to provide a passage for Russian and French troops. Nevertheless, despite his genius military brilliancy, Napoleon had little knowledge of the terrible hardships and barriers which would have to be overcome by an army taking the route to India. Probably, this miscalculation was what brought him nothing than a ‘burning Moscow’ in 1812 winter when his troops perished in thousands on their way home. With his defeat in Russia and retreat to Europe, France could no more pose a threat to India. With France’s power fading away, remained only a confident Russia with its battle-hardened troops to face Britain. The Russian Empire had been expanding for four centuries for some 55 square miles a day, or about 20,000 square miles a year and no wonder such steadily expansion alarmed the British Empire (Hopkirk 1994: 2-6).

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4 To some scholars Classical Great Game continues till Second World War.
Russian 19th century southwards advance was based on its chauvinistic character and prestige, borders security, and above all on commercial reasons. Nonetheless, to halt the threatening British India’s northwards expansion and to open a way to warm waters of the Persian Gulf or possibly Indian Ocean -as Peter the Great had advised- were yet the main motivating factors to expand down southwards. British Empire, expanding over-sea and Russian Empire expanding on the land and in opposite direction ultimately were to face each other in the gates of Caspian and Khanates of Central Asia. The only waterway that Russian could use to expand its empire, Volga River, facilitated its southwards advance into the Caspian Sea and led to annexation of Caucasus and Central Asia (Rahul 1996:112). With conquest of the Tataristan and fall of Kazan (1552) and Astrakhan, gradual advance of Russia lead to annexation of Georgia and began hostilities with Persia. Defeating Persia was not a big challenge for Russia as Persia was in one of its weakest period. With the disintegration of the Safavids, and soon after the death of Nader Shah in 1747, the last military and political hegemony of Persia in its dominant form had already faded away from both west and east Caspian5 (Van der Leeuw 2000:35). Therefore, with the fall of Nader and

5 With the fall of Azeri origin, Safavid dynasty, who ruled combined area of Persia and Azerbaijan, the favorable socio-economic condition which they had created faded away, thereby affecting Baku’s limited oil
in the absence of a central power in Caucasus and Transoxiana, local Khans, forming their Khanates and rivaling one another around the Caspian Sea shuffled their territories in endless wars. Such sources of disunity ultimately eased Russian conquest of the region. Thus, Russian domination of the west-Caspian in 1859 and its strong influence on Persia extended Russian control of the Caspian Sea and provided a way to opening of the ‘heartland’ in east-Caspian, through the territory of Turkmens (Saray 1982).

It should be stressed that by the beginning of the 19th century Russian had already erected 46 fortresses within the fortification lines on the northern Kazaks steppes, which not only served as actual borders between Russians and Kazaks but were also safeguarding Russian territory from nomads’ raids. Beside their military function, the fortresses acted as trade centers and diplomatic contacts with Kazakhs and other Central Asian Statthoods (Allworth 1994: 10).

On the other hand the native principalities of Bukhara, Kokand, and Khiva, which had long ago lost their economic and political power, were unable if not unwilling; to oppose the overwhelming might of the Tsarist Empire. Even so, it required half a century of military operations to complete the conquest, beginning with the occupation of Chimkent and ending in 1900 with the occupation of the eastern part of the Pamir.

By 1829, Tsar Nicholas troops began to control and secure their position in the two sides of the Caspian Sea. In west-Caspian Nicholas Cavalry had gone as far as European Turkey being away from Constantinople just for forty miles. With the fall of the Erzerum garrison and Russians fighting southward from Romania and Bulgaria, the Ottoman Empire was to fall entirely into Russian hands. What saved the Ottoman Empire were its Straits. Occupying Constantinople and commanding strategic Straits would have caused strong objection and probable direct interference of European powers of the time: France, Britain and Austria. Therefore Russians abandoned their occupation of the Ottoman Empire and signed a peace treaty on 14th September 1829, according which Russia merchant ships guaranteed free passage through the straits and recognized freedom of trade in all coasts of the Ottoman Empire. Moreover Ottoman Sultan had to give up claim on Georgia and two important ports of the Black Sea. In return, Russia was handing back Erzerum and Kars production which had already reduced because of the continuous wars between Persia and the Ottomans, and between the Moscovite princes and the Golden Horde.
garrisons along with most of the seized territory in European Turkey (Hopkirk 1994: 114-115). British feared that Russian next expansion would continue through Afghanistan and would complete with the invasion of India. This forced Britain to launch the First Anglo-Afghan War in 1838, in an attempt to impose a puppet regime under Shuja Shah. Due to civilian and tribal attacks the regime was short lived and by 1842, the British were forced to abandon Kabul. While retreating back to India, 4,500 regular British troops, 12,000 Hindu soldiers of the British Army and support staff of British troops got killed in a series of attacks by Afghan warriors. Only Dr William Brydon and his servant were allowed to reach India alive to carry the horrible message of the destruction of British force. With increasing Russian diplomatic mission in Kabul and to compensate the humiliating 1842 retreat, Britain launched the Second Anglo-Afghan War with 40,000 men. As disastrous as the first war was, the British again had to pull out of Kabul by 1881, leaving Abdur Rahman Khan on the throne who accepted the British to hold Afghanistan's foreign policy in exchange for the British support of his throne.

Russian advance and control of in and around the Caspian Sea could not be realized without transportation means. Thus, for economic and military purposes, Russia launched an ambitious plan of connecting the heart of Russia to the ‘heartland’ via railway that supplied Tsars’ troops in hostile areas of Inner Asia. Beginning at Uzun Arda (later Krasnovodsk) in 1880, Trans-Caspian Railway reached Ashgabat in 1881, Merv in 1884, Samarkand in 1888, and Tashkent in 1889. It is worth stressing that the tactical Trans-Caspian railway project was largely planted as a mean to supply the Tsar’s Forces who were engaged against the Turkmen. However, it was not until the end of 1905 (completion of the Orenburg-Tashkent line) that the Russian railway network communicated without interruption with Central Asia (Kunavina 1967: ch.1).

The Russian colonization of Caucasus and Central Asia was not a smooth and easy one. The absence of a central power and disunited Caucasus or Central Asia facilitated Russian steady advance but in order to establish their full administration in Central Asia, Russians had to tackle isolated and religious resistances of the people, the role of ulama, mullas, bais, khans, and later on Jadidists and Basmachis movements. As it had been with

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6 With outbreak of Civil War in America in 1861, Russian imports of cotton stopped. To respond to the growing domestic textile industry demand, Russia had no option better than Central Asia, where it could get cheap labor and raw material.
Arab invasions, local Khan’s resistance against Tsar military advance created hassles, and Russian advance and control over steppes were not achieved without struggles. From capture of Chimkent and Tashkent in 1864-65 it took more than almost five decades for complete Russian control of Central Asia. While Shamil in North Caucasus fought Russian troops, grandson of the famous Kazakh Abilay Khan, Khan Kine Sari, delayed Russian advance by means of a diplomatic alliance with China. But Russia who had recovered from the Napoleonic invasion and had not any strong rivals in its neighborhood advanced deep into the Caspian mountains and steppes (Caroe 1967: 72-73).

In Turkmen territory Russians tasted the real and bitter resistance of Central Asians by spirited Turkmen who ‘challenged and arrested the mighty steam roller of Russia’ (Olcott, 1987: 101-104). Till the 7th decade of 19th century, all the Russians who came into the hands of Khivans were made captive and enslaved by the defiance of Khivans. This led to the coup de grace determined by the Governor-General-Kaufman, architect of Russian Central Asia in 1873 (Fraser-Tyler 1950: 129). But it was Skobelev who finally overcame Turkmen resistance at Geok Tepe, in the legendary Tekke fortress, with utmost savagery. After the fortress stormed and fell, the order of Skobelev carried on until darkness fell. In the morning of the next days, 8000 persons of both sexes and all ages were found cut down in rows like fresh-mown hay. The defeat of Turkmens at Geok Tepe in 1881 was the final thrust of Russians, which led to the entire occupation of Turkistan up to a point that Russia came face to face with Britain that had already extended its influence from its Indian colony toward the area of Russian influence (Caroe 1967: 79-80).

Russia’s reputation had been raised owing to their unchecked and apparently irresistible advance, by the credit of its troops’ inexhaustible numbers (Kinyapina 1974:242-245). However, the steady Russian Southwards advance alarmed British policy makers and Britain responded by reinforcing its influence and control in India. Russian expansion and seize of the oasis of Merv in 1884 and border clashes with Afghans at Panjdeh were to fan the flame of overt conflict between Russia and Britain. Being in the verge of a full-scale war, Britain decided to accept the Russian possession as a fait accompli. The Joint Anglo-

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7 According to Skobelev himself; “I hold it a principle that in Asia the duration of peace is in direct proportion to the slaughter you inflict upon the enemy. Strike hard, and keep on striking till resistance fails, then from ranks, cease slaughter and be kind and human to the prostrate enemy” (Caroe 1967:79-80).
Russian Boundary Commission agreed the Russians would abandon the territory captured in their advance, but would retain Panjdeh. With this agreement both preferred not to confront each other, and went for control of what’s between, as two expanding empires do when their frontiers draw near each other. Agreeing on the demarcation of the Afghan border between their spheres of interest in Asia in 1895, Russian southward expansion halted, which effectively ended Anglo-Russian rivalry and the first Cold War. A ten-miles large land corridor previously belonging to no one, extended eastward till Chinese frontier and with Abur Rahman’s approval became part of Afghan sovereignty. This corridor, hardly visible on maps, departed two empires in the north and south of Afghanistan (Hopkirk 1994: 499).

While the Great game was going on, Russians were developing the Caspian oil industry. As the 19th century was ending, oil extraction from Bakus’s wells were to their ultimate level. By introducing the contractor and auctioning leases in 1872 Russians promoted the Baku’s oil industry and opened up the region’s oil market. This in turn brought motivated western investors who came with their substantial capital and developed the Baku oil industry. New oil wells discoveries turned Baku to the major supplier of most of the Russian oil consumption and export by 1890s. This current continued till Bolsheviks 1917 revolution. Chaotic years affected both oil industry and economy of new socialist Russia. To solve the problem Lenin introduced the ‘New Economic Policy’ (NEP) in 1920s. Lenin believed that to save the economy it seemed inevitable to attract the western capital, technology and knowledge. To do so, he not only offered concessions to the western investors but also was about to hand over the Caspian oil industry to the Dutch-Shell Company. With his death in 1924, the NEP died too and gave the way to the First Five-Year Plan under Stalin. By that time, the Caspian oil industry was under total control of the Soviets.

On the other hand, Russian military presence and political influence in and around the Caspian Sea enhanced regional stability, and put an end to the mutual raids among the nomads (Allworth 1994:50). Due to its historical legacy, military and economic weight, as well as its geographical location and size, Russia continued to be the most assertive actor in the CSR. Since then and up to the Soviet disintegration in the closing days of 1991, not only Caucasus but also Central Asia remained under exclusive influence and control of Moscow.
19th Century Persia: Caught Between Big Powers

Increasing Imperial Russian expansion toward British occupied lands of the Indian sub-continent and the latter’s dominance and northward extension were perceived threatening by both imperial powers. Fear of consequences of colliding and measures taken to stop other ones exploration, espionage and imperialistic diplomacy formed Great Game which played out in both sides of the Caspian Sea stretching as far as Tibet. The continuous conflict threatened both empires with Afghanistan and Persia as the main battle fields of rivalry but it did not quite developed into direct warfare. Tsar’s substantial territorial gains in Transcaucasia at the expense of Persia alarmed Britain. In order to contain Russia's expansion, the British played their method of arming, funding or instigation of communities, groups or regimes whenever required. This known British method was paying off by supporting; Caucasian worries, Azerbaijan’s changing regimes or weak Persian government of the time. British embassy instigations in Tehran for instance caused a series of Persian-Russian diplomatic crises. The known example was the murder of the Russian ambassador Alexander Griboyedov.

Wining two major wars and imposing the two treaties of Gulistan (on 12th October 1813) and Turkamanchai (on 21st February 1828) on Persia, there was no strong regional rival to Russia anymore. These two peace treaties were followed by the ceding of all Persian territories between the Caspian Sea and the Caucasus Mountains to Russia as well, relinquishing all naval rights on the Caspian Sea (Hopkirk 1994:66). Baku’s oil wells were lost, and by accepting Russian authority on present day Georgia, Armenia and Azerbaijan, Persia yet had to be squeezed between Russia and Britain’s rivalry.

Oil discovery and a series of political events in the first decade of the 20th century changed the course of the entire modern history of Persia. After a century, such events’ impact is very much visible in today’s Iran. Anglo-Russian 1907 Convention, Persian Constitutional Revolution and 1953 coup d’état are three of main events which have influenced the Iranian oil and politics till now.

31st August 1907 Anglo-Russian Convention in three sections dealt with Persia, Afghanistan and Tibet. According to this accord Russian and British empires divided Persia into three: British zone in the south (Persian Gulf), a Russian zone in the north and center (Tabriz, Tehran and Isfahan), and a neutral zone in between. To avoid instigation of the
Persians and as if they were not partitioning Persia, the convention did not refer to any of these zones as sphere of influence or buffer. According to the accord, Russia was recognizing Afghanistan as a semi-protectorate of Great Britain, which had to "abandon its earlier efforts to establish direct relations with the emir [of Afghanistan]" (Lowe 1994:138). The accord which was signed the participation of Persia and Afghanistan, faced the bitter objection of Persian parliament and Afghanistan emir's refusal. (Hopkirk 1994: 520-522) considers 1907 as the end of the Great Game in which 'two rival empires at least reached the limits of their expansion.'

The Persian Constitutional Revolution (1905 to 1911), a movement to limit the rule of the Qajar dynasty who had ruled Persia since 1781, was the first of its kind in the history of the Middle East. Caught between imperial Russian and British rivalry in The Great Game, the successive central Qajar governments of Persia had become increasingly weak and corrupt. Moreover taking loans from Russia and Britain to pay for their extravagant lifestyle and to manage the central government had put the incapable Shahs under the influence of both imperial powers. The increasingly aware people of Iran were not ready for such outdated practices and external influences. One of the offspring of such awareness in Persia was a public all for a constitution. A combination of various issues sparked the demand for a constitution. Publicly punishing two merchants in December 1905, influential clergy’s role and dissatisfaction of the new generation of educated Persian democrats and nationalists were among main forces behind. A chain of events such as the death of a clergy in the hands of the government assembled the clergy who sought sanctuary in the Qom city. In any case, during the summer of 1906, 12,000 men camped and sought refuge in the British Embassy’s Garden to demand a parliament.

By August 1906, Mozafar al-Din Shah was forced to accept the formation of a parliament. Elections were held and the 156 elected members established a constitution by October 1906, which came to be known as Constitutional Assembly. By 31st December 1906, the Shah signed the first Persian constitution. From then onward, the Shah’s power was limited and he supposedly had to remain under the rule of law. However, due to the foreign influence, the struggle of power between the constitutionalists and the Shah ended with the victory of the latter. The constitutional monarchy ultimately came to an end in 1921.
via a military coup and Persian officer of the Persian Cossack Brigade Reza Khan ascended to the throne in 1925, thereafter becoming Reza Shah.

**Oil Discovery Changes the course of Iran’s History**

A London based millionaire, William Knox D'Arcy’s deal with Mozzafar al-Din Shah became the basis for subsequent Anglo-Persian oil pact. Negotiating an oil concession with the Shah of Persia in 1901, D’Arcy obtained an exclusive right to oil exploration and production for 60 years. In return, the Shah received £20,000, an equal amount in shares of D'Arcy's company, and a promise of 16% of upcoming profits (Kinzer 2003:48). With the oil struck on 26th May 1908 in Masjed Soleiman, the Anglo-Persian Oil Company (APOC) was founded. APOC was renamed Anglo-Iranian Oil Company (AIOC) in 1935 and eventually became the British Petroleum Company (BP) in 1954.

Iranian popular opposition to the D'Arcy oil concession grew with figures like Teymourtash’s continuous efforts to abolish it and, reached its peak during democratically-elected Mossadegh’s administration and cabinet. By 1950, nationalist leaders were active and popular enough to protest against the long-time foreign intervention, especially to British oil arrangements. By March 1951, the Iranian parliament had voted for nationalization of the AIOC and its belongings, and shortly after had elected a nationwide respected statesman and champion of nationalization, Dr. Mohammed Mossadegh as the Prime Minister (Abrahamian 1982: 55-56).

Following subsequent unrest and demonstrations Abadan refinery got closed and AIOC withdrew from Iran. While exploring the possibility of invading Iran to occupy the oil resorts Britain, representing the AIOC, took the case to the International Court of Justice (ICOJ) at The Hague. American intermediation to settle the dispute by suggesting a 50-50 profit-sharing along with a recognition of the nationalization were rejected by both British government and Prime Minister Mossadegh. By mid-1952, Reza Shah’s attempt to replace Mossadegh caused nationwide riots and Mossadegh returned to office with increased popularity and power. Losing the case at the ICOJ, Britain sanctioned Iran by eliminating major oil revenue of the government, thus making Iranians "poorer and unhappier by the day" (Kinzer 2003:135-136).
Britain had lost the oil nationalization war and already evacuated its embassy staff and officials. Thus by 1953, using Cold War mindset and arousing anti-communist American sentiment, Britain succeeded to have Americans along to topple Mossadegh government on the ground that Mossadegh and Iran were likely to fall to communism. British intelligentsia convinced Central Intelligence Agency (CIA) that ‘enormous assets’ of Iranian oil reserves would fall into Communist control which could be repeated in ‘other areas of the Middle East, thus spreading Communist influence. Pro-Soviet Iranian Tudeh (Communist) Party, though underground and suppressed by Shah, was actually one of the most active and influential party of the time (Kinzer 2003:158). Therefore, in August, CIA along with the British embassy, secret services and Iranian agents, bribed a band of politicians, soldiers, mobs, and newspapers masterminded and co-funded a coup d'état. Overnight the only democratically elected government Iran had ever seen was overthrown, Mossadegh imprisoned and the pro-Western Reza Shah and AIOC were restored (CNN: 19 April 2000). Changing its name from AIOC to British Petroleum (BP), the company could not retain its old status due to public pressure on the new governments. Therefore an international consortium under National Iranian Oil Company was created, with the AIOC as a member holding 40% of the shares. The consortium agreed on a basis of 50-50 share profit with Iran, ‘but not to open its books to Iranian auditors or to allow Iranians onto its board of directors’ (Kinzer 2003:195-196). Though, in the aftermath of the coup, Iran’s economy grow sharply, opposition parties of National Front and the Tudeh party cracked down and political power concentrated in the hand of the Shah. Nonetheless with the left-up of the embargo and the signature of new oil agreements, oil revenue increased significantly from $34 million in 1954-55 to $181 million in 1956-57 which continued on up in later years (Abrahamian 1982:419-420). Since then, the dictatorial monarchy of Reza Shah backed by the US, Britain and Western oil companies were invited to come back in Iran. By the end of WWI, Iran’s struggle toward democracy was cut down with British 1921-installation of Pahlavi dynasty, and by 1953-coup. All its efforts to consolidate a democratic constitution and a parliament vanished. Heavily US-made arm purchase and US support

8 Following 1998, President Khatami addressed the American nation and regretted on 1979 US-embassy hostage crisis, saying that ‘I do know that the feelings of the great American people have been hurt, and of course I regret it’. Former US Secretary of State Madeleine Albright called 1953-coup d'état a “setback for democratic government” in Iran (CNN: 19 April 2000).
erected Iran as the gendarme of the Persian Gulf but Iran could never be freer than during the 1950s. At any time before or since, Iran could not experience democracy again.

**Early & Mid-20th Century: WWI, WWII and Oil-Fall**

While Persia had to wait for seven years more to begin industrial exploitation of its oil reserves and while Kazakhstan was still awaiting Azeri technicians and engineers to launch Kazakh oil industry, Baku only was ahead of all the regional states in terms of both oil extraction and oil export. Indeed, the first years of the 20th century saw Baku’s ultimate fame. In 1901, with 11.7 million tons, its crude oil output was even ahead of America’s (9.5 million tons) and of the rest of the world (1.7 million). About 60% of the Russian oil was exported to west via railway and through Batumi port. The remaining 40% went to different parts of Russian empire or were sold to Persia (Wolf 1976:24-29). However a few years later, 1904 Russo-Japan war and political turmoil of the time left its destructive impact on Baku. Revolutions and upraises in Russia were going to change the socio-economic landscape of Baku forever.

The Bolshevik Revolution of 1917 nullified the existing treaties and according to some experts began the second phase of the Great Game. Its difference with classical Great Game was its new intensive focus on Afghanistan and Iran. By that time, both had re-established their self-determination in foreign affairs, though relatively⁹ (Kazembeigi 1384/2005:18). Despite May 1921 USSR-Afghan Treaty of Friendship and the providing of cash, technology, and military equipment to Amanullah, relations between Afghanistan and the Soviet Union remained equivocal. At that time, the British influence in Afghanistan was fading. Witnessing the treaty and fearing slip of Amanullah out of their sphere of influence, the United Kingdom could impose nothing more than minor sanctions. Nonetheless both the Soviets and the British took advantage of the circumstances, manipulating Afghan and Iran internal politics.

An important peculiarity of the new Game was oil. Events like the WWI¹⁰, Russian

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⁹ In August 1917 there were about 60 to 70 thousands Russian troops in Iranian territory. Out of that number, about 30 to 40 thousands were present in Iranian Azerbaijan. Same year in June, Lord Curzon established ‘The Persian Committee’ to watch the Persian political developments (Kazembeigi 1384/2005:18).

¹⁰ Tradgold, Donald W. (1972) in his book (Twentieth Century Russia) believes that WWI “was the result of the foreign policy of all major European powers in an age of secret diplomacy and political and economic
revolutions and in general political developments of the time aroused the importance of Persia both in terms of energy and geopolitics, meanwhile causing the downfall of the Caucasian oil industry. Following oil discovery in Persia, Britain had new strong reasons to influence the Persian king and its parliament by different means of pressure, and if necessary by bribing. One of the several agreements offered to Persia, known as the Anglo-Persian Agreement (August of 1919), centered on drilling rights of the Anglo-Persian Oil Company. The 1919 ‘agreement’ was stated to guarantee British access to Persian oil fields in return for the supply of munitions, the training of army, a 2 million sterling loan, building railroads and the revise of the customs tariffs. Though this hegemonic ‘agreement’ was never ratified by the Persian Parliament, it was still denounced by the United States which as an emerging power had an eye on Persian oil fields.

In the aftermath of the Bolshevik revolution, of two main oil centers of Caucasus - Baku and Grozny- Grozny due to its geography was first to be sized by ‘Council of Workers and Soldiers’ backed by Bolsheviks. It was then Baku’s turn to be controlled by a Bolshevik set ‘commission’. While in Grozny Chechens clashed with Cossacks and oil installations were destroyed, in Baku clashes happened between Armenians and Azeris. Thousands of Azeri and Iranian-origin Muslims were slaughtered but fewer damages were made to oil infrastructures. Following the proclamation of the Republic of Azerbaijan in May 1918, Russian troops marched toward Baku. Almost two months later ‘Socialist Revolutionaries’ ousted Bolsheviks and called for British. Suddenly British forces left Baku in September and Azeris with Turkish backing took control of the city. Turkey withdrew and for the second time British landed in Baku in November of the same year. At the same time, a coalition led by the Azeri Musavat party11 democratically took over Baku.

Already humiliated in Libya and in the Balkans, the Ottoman Empire’s sultan declared a military jihad against France, Russia and Great Britain at the beginning of November 1914. After four centuries of continuous rule and being in the verge of collapsing, the Ottoman Empire’s dream was to gain back its lost territories with the might competition. It was not ‘imperialism’ in the sense Lenin used the world, which brought the war, nor competition for overseas investment targets or markets,...”.

11 Musavat (Equality), a nationalist Azerbaijani party was founded in 1911. It lasted till spring of 1920, the time that it overthrown by the Bolsheviks aided by the Red Army. After Musavat’s fall, Bolsheviks occupied and confiscated the final oil property on May 4, including 265 million puds of oil and oil products.
of German industrial and military power. Though the Ottoman troops were no match to western armies, 600,000 Turkish troops combined with Germany’s warfare could seriously threaten British Empire. To diminish Turkish threat, London did not hesitate to land an Anglo-Indian force at Basra-Iraq. Britain was protecting the Anglo-Persian oil pipeline and was also maintaining the control of the strategically important Persian Gulf. In the aftermath of the March, the Russian military was almost paralyzed. Therefore, standing before Germany and Turkey was not promising and with the French failure on the Western Front, Britain now faced losing the war to the Central Powers. However with subsequent destruction of the Ottoman Empire, Russia paralyzed by civil war, and French limited influence, Britain emerged as the dominant power in the region. During both WWI & WWII Baku and Grozny’s importance and role were vital for both camps involved in the war. Indeed, Caucasian and namely Baku’s oil wells played a key role in the outcome of World Wars. Same importance had to be given to Persian oil at the same period. Well organized destructive war machinery of Austro-German alliance, which was more powerful than their adversaries would have emerged as victor of WWI had they captured Baku’s oil wells. With insufficient Romanian oil supplies and with Turkey losing Mesopotamia to Britain in 1918, Axis’ last hope and oil resorts were gone. Despite their overwhelming technological superiority, lack of fuel stopped them. This had to be repeated once more in WWII. With German offensives in northeast and with the closure of the Dardanelles, oil export came to a halt. It was during WWI that to prevent and to cut any possibility of desperate German need and access to Oil, Baku’s oil wells were filled with concrete and closed down. From now onward with Russian exploitation of Siberian oil, Baku’s oil downfall began and its fame didn’t return for almost half a century. With Kazakhstan yet not into the oil business and Baku yet to re-emerge, it was Iran’s golden oil period with its peak of oil production following 1970s sharp increase of oil prices.

Under full control of the Soviets and Stalin’s dictatorship, the Caspian republics neither had right nor could insert their foreign policy, let alone to control their natural resources. Under these new circumstances, the game had to be played once again in southern Caspian.

During World War II, British and Soviet united their interests and forces before a common enemy: Germany. Both pressured Iran and Afghanistan to remove Germans and
finally deployed their forces in Iran. In reality, such pressure was a pretext to directly interfere in the region’s politics and to have a physical presence in Iran. Their aim was not only to secure Iranian oil fields but also to ensure short crucial supply lines for the Soviets who were fighting Germany on the eastern Front. Because of the vitality of the Abadan oil refinery (producing eight million tons of oil in 1940) owned by Anglo-Iranian Oil Company and of the extreme strategic importance of Iran as a transport corridor, it was inevitable to invade Iran. The Soviet army, desperately waiting for American support, could not be supplied faster than through the Trans-Iranian Railway which connected the Persian Gulf to the Caspian Sea.

Reza Shah’s —considered sympathetic to the Nazis, refusal of Allied’s demands to expel the German nationals from Iran, and his denial of Iran’s railway to the Allied’s use ended up with the invasion of Iran on 25th August 1941. Initially foreign presences faced resistance but the invasion was rapidly completed by Soviet’s Transcaucasian Front 44th, 47th and 53rd armies from the north, and the 8th and 10th Indian Infantry Divisions, 2nd Indian Armored Brigade, 4th British Cavalry Brigade and the 21st Indian Infantry Brigade of Britain from the north. A day later, Reza Shah was arrested and exiled.12 British and Soviet troops entered Tehran on 17th September and installed his 22 years old son, Prince Mohammad Reza as the new Shah and did not withdrew from Tehran until October 17th.

One year later in January 1942, Mohammad Reza Shah signed a Treaty of Alliance with Britain and the Soviet Union and Iran declared war to Germany in September 1943, which entitled it for United Nations memberships. The same year at the Tehran Conference, President Franklin D. Roosevelt, Prime Minister Winston Churchill, and General Secretary Joseph Stalin, asserting Iran's independence and territorial integrity promised to extend economic assistance to Iran. After the World War II got over, Britain withdrew, but Soviet Union not only kept its troops in northwestern Iran but also backed the pro-Soviet separatist regimes of the autonomous People's Republic of Azerbaijan and the Kurdish People's Republic of Mahabad. In May, 1946 after receiving a promise of oil concessions the Soviet troops withdraw, short-lived regimes overthrown and the oil concessions were revoked.

WWII left its decisive impact on the North Caspian Sea, particularly in 1942. Such impact on Soviet traditional oil industry center, Baku, was bleaker, as with German troops

12 He was first exiled to Mauritius and then to South Africa where he died in 1944.
on the left bank of the Volga and Stalingrad, the city was cut off from Russia. “While the Soviet army in the North was paralyzed by lack of fuel, all storage facilities on Apsheron were filled to the brim and, except for minor quantities shipped to the poorly equipped port of Krasnovodsk, there was no place to take Azerbaijani oil. Literally drowning in oil and faced with the danger of German air raids and possible occupation, an emergency commission was set up under the chairmanship of a Ukrainian by the name of Mikhail Evesyenko, with the order to plan and execute an evacuation programme. By the end of the summer, hundreds of shipments, carrying oil equipment and oil employees had crossed the Caspian Sea. All wells on Apsheron had been shut down, installations had been dismantled and even half a million tons of refined oil had been pumped into wells which were subsequently sealed off. It was only at this point that the Soviet regime painfully realized the consequences of its previous neglect in respect to the development of its Transcaspian republics. It took tremendous effort and frantic labour of the more than 10,000 oil workers and engineers from Baku to start exploratory drillings in the deserts of Kazakhstan and Turkmenistan and on the steppes of West Siberia” (Van der Leeuw 2000: 110).

German forces inability to conquer the Caucasus was fatal for Hitler’s forces for the second time in history. Shortage of fuel had stopped and demobilized German army at the gates of Chechnya and Baku. Without sufficient fuel Germans lost WWII as they lost WWI.

The end of the WWII was the beginning of another war, the Cold War. As the USA grew as a global power, displacing Britain and all other European powers, and as the Soviet Union emerged as a major victor of the WWII, the world was doomed to be divided into two opposite poles; one under American Capitalism and liberalism, the other under Soviet’s Socialism. Unlike the classical Great Game, the new Great Game began with a clash of ideologies. If the first ‘Game’ was purely based on strategic and commercial interests (without energy being in the core), the latter was based on geo-strategic influences (in its modern intensive form) and on geo-economic gains (mainly energy related).
As Robert Rossow, American vice-consul in Tabriz puts it: "One may fairly say that the Cold War began on 4th March 1946. On that day fifteen Soviet armored brigades began to pour into the northern Iranian province of Azerbaijan and to deploy along the Turkish and Iraqi frontiers and toward central Iran. Simultaneously, another Soviet army of comparable size and composition moved south across Bulgaria to deploy along the European frontier of Turkey" (Rossow 1956:17). Unlike elsewhere, the 'Cold War' was fought in the Middle East for its energy reserves. While American interest was mainly to reach Middle East oil and secondly to contain communism, Soviet initial energy interest on Iran’s oil shifted to influencing the region and containing America. Following Soviet new demands from Turkey (May 1945), refusal to withdraw its troop from Iran – unlike what was agreed upon six months prior to the end of the WWII in 1942- and the establishment of two short-lived secessionist socialist regimes in Iran (December 1945), the USA had no choice but to . The two super powers were to divide the world into two camps with a handful of countries trying to remain neutral.

Direct innovative negotiations (on 4th April) of Iranian Prime Minister of the time Qavam al-Saltanah and Soviets engagements in Eastern Europe, saved Iran from a Soviet Union aggression. In exchange for establishing joint Iranian-Soviet oil Company allotting the latter 51% share, Soviets agreed to withdraw from Iran. Following Soviet withdrawal on 9th May, the Firghi-e Democrat-e Azerbaijan (Azerbaijan’s Democratic Party), an offshoot of the post-soviet Tudeh Party of Iran, had no chance to survive (Entessar 1999:161). The Iranian central government forces not only overthrew the secessionist regimes in Iranian Azerbaijan and Kurdistan but the Iranian parliament also rejected the ‘Iran-Soviet oil agreement’ during its October 1947 session. Due to growing US-backing, Iran did not face retaliation from the Soviets.
Turkey went more under pressure than Iran. After denouncing the 1925 Treaty of friendship and non-aggression, Soviet Union posed heavy demands on Turkey, such as the cession of the Kars and of Ardahan. These two areas which had been taken from the Ottoman Empire by Tsarist Russia after the 1877-1878 war were given back to the Ottomans. The worst was to ask the establishment of a Soviet military base on the Dardanelles and the modification of the 1936 Montreux Convention. This convention had put an end to the international control on the Turkish Straits; Bosporus and Dardanelles. In turn, the Turkish right on these Straits was established in the Treaty of Lausanne in 1923 (Sadak 1949: 458-459, Deringil 1989:179-180). The fact that the Turks refused the Soviets demands and called for the US President Harry S. Truman’s statement toward these demands revealed the increasing tension between the two super powers. In a memorandum (1st January 1946) his Secretary of State James F. Byrnes, Truman said: “There isn't a doubt in my mind that Russia intends an invasion of Turkey and the seizure of the Black Sea Straits to the Mediterranean. Unless Russia is faced with an iron fist and strong language, another war is in the making” (Truman 1955:550). Almost a year later in March 1947 under the Truman Doctrine, the USA allotted $400 million military and economic aid to Greece in order to win the civil population against the communists. Turkey also received $100 million to rebuilt its army and improve its infrastructures. During the following year, Turkey received bombers, maritime vessels and long-range submarines (McGhee 1990:43, Lenczowski 1980: 137). Iran’s share of US initial aid was not more than $25 million in credit (K. Ramazani 1975: 158).

Nonetheless with the Iranian 1979 Revolution, western backing of Iran vanished, leading Turkey to take Iran’s role in the Middle East. The various reasons which caused the Iranian Revolution are not to be discussed in this work. However, one can briefly comment on the causes behind the fall of the last Shah. In external level, the US administration (under Jimmie Cater and his predecessor J.F Kennedy) was pro-reform in Iran and asked the Shah to fulfill reforms, in particular political ones. Shah’s horribly planned and practiced reforms finally went against him. On the other hand, internally the political suppression organized by the Shah strengthened the Islamists and socialists parties by bringing them underground. Moreover, 1970s oil-price sharp increase turned the Shah into a ‘bold’ king. As he had ambitious plans to revive the Persian Empire, by purchasing American arms and turning into
a strong king he was in the verge of changing the balance of power in the Middle East. That's probably why unlike in 1953, Britain and the US didn't help him to stay in Power. He was investing on arms and infrastructures while nearly half of the Iranians still were living a rural life and were not benefiting from oil income. Economic inequality added to his underestimating of Iranian realities (still religious and not ready for his fast Social/civil reforms) and overlooking of the role and influence of the Ulama provided a ground for Clerics and Leftists to mobilize people. In sum, political stagnation, economic inequality, single-party system, ignorance of the Ulama's influence, suppression of the Leftists and Islamists and exaggeration of his social reforms (which were beyond Iranian society's and masses digestion) planted the seed of a revolution, which turned to be Islamic.

To sum up, the classical Great Game played between Russia and Britain was derived from their imperial ambitions of expanding and colonizing as many territories as they could. At that period in which oil was not yet in the agendas of the imperial powers, commercial interests and gaining the markets of Central Asia and the Caucasus were of the utmost importance. On the other hand, while avoiding physical confrontations, the advancements of the two imperial powers came to a halt in the north and south of Afghanistan making it a buffer zone. This scenario was to gradually change following the launching of industrial oil extraction in Baku.

Baku was the ancient and historical place for oil production and usage of natural gas. By the end of the 19th century at the time when neither Kazakhstan and Turkmenistan, nor even Grozny or Persia were in the picture, Baku's industrial oil exploitation had already began and the city was the only one able to compete with the USA by providing half of the world's oil. The golden period of Baku's oil-wells (first years of the 20th century) was challenged a few years later by Russian Revolutions, especially by the Bolsheviks. Both WWI and WWII left decisive impact on the CSR's oil industry. During WWI Baku's oil wells had to be filled with concretes, though neither Grozny nor Baku never occupied by German forces during both World Wars.13 Following the end of WWII and the discovery of the giant Siberian Samotlor oil field in 1960s, Soviets shifted their emphasis. Baku's second downfall of glorious days had begun earlier, by the growing rivalry with the Ural-Volga

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13 Oil had proved decisive in the ending of the wars, as if Germans would have been able to control oil-wells it was not improbable that they could have emerged as victor.
region. Baku and the CSR had to wait till 1990s to reclaim their fame and celebrate a new beginning.

As soon as the WWII ended, another war started. The US and the Soviet Union as post-WWII’s superpowers indulged in an ideological war for half a century. With increasing vital importance of the oil to the big powers and armies during the Cold War era and the doctrine of containment, energy resources attained serious significance. With the republics of Azerbaijan, Kazakhstan, Turkmenistan, Georgia, Chechnya and Armenia under full control of the Central Soviet government, the play scene shifted from the Caspian Sea to Afghanistan, Iran and Turkey till the end of the 20th century. With Soviet huge plans to exploit Siberian oil reserves, Baku was no more as it was in the early 20th century. It was Iranian then oil which was attracting the western powers. At the same time, the ideological USA-Soviet war was leaving its impact on the regional politics. However, with the USA’s Marshall Plan, the creation of NATO and the Truman Doctrine of containment of the Soviet Union, the ‘Cold War’ reached its peak and did not end till the Soviet Union collapse in 1991. With the fall of the ‘Iron Curtain’ Caspian region’s energy and geo-strategic advantages raised once more the interest of the West. Western companies and powers brought their massive might and capital in the region to challenge Russia. The less-powerful states were caught amid a new rivalry once more.