CHAPTER IV

SEARCH FOR A NEW POLICY

There existed a widespread belief in Iran that the coup d'etat of 21 February 1921 had been organised and supported by the British government. (1) Indications were not lacking to prove that the British officers serving with the Persian Cossack Division had a hand in the movement of Cossack troops from Kazvin to Tehran and the British Minister's key role in the fateful happenings at Tehran was quite well known. The British government, however, denied that the Persian Cossacks, who overthrew the Iranian government of Sipahdar Azam at Tehran had been assisted or instigated by the British officers. (2) The truth was, however, self-evident in spite of official denials. (3) It was a well known fact that Syed Zia-ed-Din Tabatabai had pro-British leanings. (4) Similarly, the Cossack troops were under an obligation

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3 Britmilat Tehran to W.O. London - C/39/17 25 May 1921, 928-N (1923). He confirmed that all troop movements originated from the British officers.
to the British Legation for their messing and other arrangements after the departure of Russian officers, when they had practically been neglected by the central government at Tehran. (5) British opinion as to whether Reza Khan, the new Cossack commander, could be trusted or not to do their bidding was still divided. (6)

The policy declaration of the new government on 26 February 1921 denounced the Anglo-Persian Agreement of 1919 but the reform scheme given in that declaration followed broadly the lines set forth in that Agreement so far as foreign loans, customs tariff, military and financial advisers and railway construction were concerned. To satisfy the national aspirations of the people, promise was made to expropriate those found guilty of defalcations, reconsider past concessions, ratify Irano-Soviet Treaty of February 1921 and ensure withdrawal of foreign troops from Iranian soil.

The Iranians soon came to dislike Zia-ed-Din and opposed him when he ordered wholesale arrests of Iranian notables. Although drastic measures had been promised


6 Minister Tehran to F.O. London, 312 dated 25 May 1921, 928-N (1923). Mr Norman thought that Reza Khan was not trustworthy. Minister Tehran to F.O. London, dated 25 May 1921, Ibid. Sir Sydney Armitage Smith thought that Reza Khan was trustworthy.
in the policy declaration of the new government, but the manner of the arrests showed that he was self-willed and arrogant. The Shah smelt a strong Bolshevik flavour in Zia's reforms and turned against him. He began to rely wholly on Reza Khan. (7) He was also upset at the reduction of his Civil List and suspected that he might suffer the same fate as the notables. Zia-ed-Din wanted an inter-national guarantee to save Iran from Bolshevik attacks. (8)

A clash between the civilian and military leaders of *coup d'état* was becoming inevitable. Reza Khan was no longer afraid of the British and he desired that the Prime Minister should neither be pro-British nor pro-Russian. He had an unbounded ambition and equally unbounded distaste for Bolshevism.

The first breach between them on 25 April 1921 was healed through a compromise allowing Reza Khan to become War Minister in addition to his duties as Sardar Sepah. The second breach on 6 May 1921 also resulted in Reza Khan's triumph inasmuch as *Gendarmerie* was transferred by the Interior Minister to the War Minis-

The third breach on 21 May 1921 proved decisive and Sycd Zia-ed-Din had to quit as Iranian Prime Minister and leave the country for Baghdad on 25 May 1921. The issue at stake was the powers and position of British military officers serving with the Persian Cossack Division. Zia-ed-Din wanted executive powers to be given to these officers, but Reza Khan wanted to have them only as instructors. (10) Reza Khan gave an ultimatum to Zia-ed-Din on 23 May 1921 to resign and leave Iran. Zia resigned, but wanted to eliminate Reza Khan also. Reza Khan ordered Zia's arrest while he was at Karvin on his way to Baghdad, but the British Minister got these orders cancelled and also obtained an assurance from the Shah that he (Zia) would not be molested on the way.

The Soviet Minister, Theodore Rothstein, who was on his way to Tehran via Meshed had been told by the outgoing Iranian Prime Minister in consultation with British Legation to ensure withdrawal of Bolshevik troops already in Iran, before he could be allowed to continue his journey. (11) Rothstein assured the Iranian government


10 J.M.Balfour, n.5, p.250.

that the Bolshevik troops had entered Iran without the
knowledge of Soviet government in Moscow and hostilities
would soon be stopped. (12) He, however, continued the
journey and presented his credentials to the Shah on
28 April 1921. (13)

Reza Khan had left Iranian finances and military
accounts in British hands. The British Minister desired
that supply of munitions for the Iranian army should be
stopped in view of the recent events. British Financial
Adviser had also stopped the supply of money, but he
knew that if supply of money was not forthcoming through
the Imperial Bank and the Anglo-Iranian Oil Company, he
would have to withdraw from his post. (14) In that case,
Reza Khan might turn to Russians for help and Bolshevism
would gain an upper hand in Iran. (15) The Soviet
Minister was firmly established in Iran and he was taking
full advantage of these developments.

Meanwhile, the rebellion in Gilan was increasing
in intensity. The Soviet troops in Iran encouraged

12 Minister Tehran to F.O.London, 252 dated 23 April
1921, Ibid.

13 Norman Tehran to Lord Curzon London, 63 dated 5 May
1921, Ibid.

14 Minister Tehran to F.O.London, 312 dated 25 May 1921,
Ibid.

1921, Ibid.
other rebellious elements in Azerbaijan. (16) Kurds were already in revolt. The appointment of Qavam-es-Sultaneh as the Iranian Prime Minister in succession to Zia-ed-Din provoked yet another rebellion in Khorasan by Col. Mohammed Taqi Khan, the Gendarmerie Commandant. (17) When Zia-ed-Din had ordered mass arrests of Iranian notables, Taqi Khan had been ordered to arrest Qavam-es-Sultaneh, who at that time was serving as the Governor-General of Khorasan. Now that Qavam emerged from the prison as the new Prime Minister Taqi Khan was dismissed and recalled to Tehran. The rebellions in every region of North Iran had resulted in the suspension of the evacuation of Bolshevik troops from Iran and in consequence, British officers serving with the Persian Cossack Division were asked to stay on, although they had been shorn of their executive functions and instructional duties. (18)

In this critical situation, when the future of the country hung in the balance, the British Financial

16 Britmilat Tehran to D.M.I. London, 0/37/7 dated 25 May 1921, Ibid.
17 Britmilat Moshed to C.G.S. Simla, MD-05253 dated 31 May 1921, Ibid.
Adviser bluntly told the new Iranian Prime Minister that the financiers in London would not advance money unless they were fully satisfied that he was in complete control of finances in Iran. (19) He demanded acceptance of his re-organisation scheme and also its enforcement in its entirety. (20) If his conditions were fulfilled, he promised to arrange money from the Imperial Bank and the Anglo-Iranian Oil Company on the guarantee of land revenue.

It was obvious that naked British control over the entire range of Iranian finances would be impracticable and would offend the Iranian sentiments in addition to provoking the hostility of Soviet Minister, M. Rothstein. A watered down formula was suggested by the British Minister that an assurance should be given by the Iranian government that their Finance Minister would be bound to accept the advice of the British Financial Adviser, who now came forward with another demand that Mudir-ul-Wulk should be appointed as the Iranian Finance Minister. (21)

19 Minister Tehran to F.O. London, 324 dated 2 June 1921, Ibid.

20 Norman Tehran to Lord Curzon London, 63 dated 5 May 1921, 975-Mid Asia (1923).

21 He served as Foreign Minister in Zia-ed-Din's cabinet formed on 1 March 1921.
This again was an unacceptable proposition.

The Iranian army could not function without finances and in sheer desperation, Reza Khan asked Theodore Rothstein for help from Soviet sources. The Soviets having no funds to spare, Rothstein refused to make any commitment without making a reference to Moscow. The British Financial Adviser catered for the requirements of South Persia Rifles, but promised small doles from oil royalties for the Iranian army and these too would depend on the attitude of the Iranian government towards Great Britain.

Syed Zia-ed-Din was still in Baghdad and was watching these developments closely. He informed the British Minister in Tehran that there was a grave danger of North Iran passing under Bolshevik control and in that event the Iranian Crown Prince Mohammad Hassan Mirza was willing to head a separate sovereign state in South Iran. (22) The Crown Prince was prepared to go to London direct to settle this deal with Lord Corzonz through Vossuq-ed-Dowleh, but Zia-ed-Din had advised him to stay for the time being in India and await further developments. The British Minister who understood the situation better

22 H.C. Baghdad to Foreign Simla, 820-S dated 1 July 1921, 923-N(1923)
replied that any plot for the dethronement of Shah would result in immediate disruption of Iran; this was against the present policy of the British government. (23) The situation in South Iran was no better than in the north, owing to the proposed disbandment of South Persia Rifles. (24) The Government of India, therefore, viewed the activities of the Crown Prince in India with disfavour. (25)

It was obvious that any scheme for the so-called liberation of Iran should be indigenous in origin and character. (26) Association of the British government and the Government of India would prejudice the scheme in Iranian eyes. Syed Zia-ed-Din, who had gone to India to join the Crown Prince, was persuaded to leave for Constantinople. (27) H. Norman suggested that Zia should be brought back to Iran for trial. The Crown Prince, however, could not be asked to leave, but his activities

23 H. C. Baghdad to Foreign Simla, 830-S dated 5 July 1921, Ibid.


25 R. P. C. Bushire to Foreign Simla, 1114 dated 10 July 1921, Ibid.

26 Minister Tehran to Political Basra, dated 16 July 1921, Ibid.

27 Viceroy Simla to I. O. London, 1905-S dated 7 August 1921, Ibid.
were discreetly curbed.

The British government was of the view that rebellious propaganda promoted by the Bolsheviks in North Iran should be prevented from penetrating into South Iran. The first pre-requisite to effect this was the continued supply of money to the Iranian government to enable the British Minister to exert his influence in Tehran. Secondly, it was proposed not to disband the South Persia Rifles in a precipitate manner. Another suggestion was made to lodge a formal protest at Moscow in accordance with the preamble of Anglo-Russian Commercial Treaty of 16 March 1921 against the harmful effects of Bolshovik sponsored propaganda for British interests in Iran. (28) The difficulty about the last suggestion was that the protest could only be in general terms, as T.Rothstein had refrained from communist propaganda and actively supported anti-British propaganda of the Iranians.

The prevailing situation made it imperative for the British government to take some steps to ensure the safety of the oilfields. (29) The Imperial Bank had agreed to release 200,000 tomans (approximately £50,000)


a month for five months unconditionally against adequate security. That, however, was insufficient for the British Minister to have some influence over the Iranian cabinet. The amount was also insufficient to meet the current needs of the army. The British Minister, therefore, suggested that a detachment of South Persia Rifles must be retained at Ispahan to enable as much of central and southern Iran as was possible to be kept under British control as long as possible to protect the oilfields and the telegraph system. (30) The communication system of Iraq was dependent on the telegraph lines in South Iran and the British High Commissioner in Iraq, Sir Percy Cox, wanted to maintain British telegraph lines in South Iran intact. (31)

Meanwhile, situation in North Iran showed some signs of improvement on account of the Rothstein's promise to Reza Khan that Bolshevik troops from Enzeli and Gilan would be withdrawn and a settlement would be worked out between Kuchik Khan and the Iranian government. (32)

30 Minister Tehran to F.O.London, 363 dated 1 July 1921, Ibid.


The rebellion in Khorasan, however, continued and negotiations for peaceful settlement between the rebel Taqi and Tehran were going on through the good offices of the British Consul General, Meshed. (33)

**Lord Curzon's Grudge**

Lord Curzon had been discomfited at the failure of Anglo-Persian Agreement in both its naked and camouflaged form. He was now enraged that the Iranian government had entered into treaty relationship with the Soviet Union. What was more, Irano-Soviet Treaty charted a new course for Iran's relations with foreign powers. Iran was sure to demand that Anglo-Iranian relations should also be placed on a new footing in conformity with the Soviet model.

In a fit of impotent rage, he reminded the Iranians that British blood and treasure had protected them against Turkish attacks and German encroachments. (34) In an attempt to explain away the failure of British policy underlying the Anglo-Persian Agreement, he taunted that the Iranian cabinets had continually been succeeding

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33 C.G.Meshed to Minister Tehran, 151 dated 19 August 1921, Ibid.

34 Lord Curzon's speech in the House of Lords on 26 July 1921 as quoted in file 922-Mid Asia (1923).
each other and charged that the Iranians had thrown themselves into the Soviet arms.

The Iranian government was forced to give him a fitting reply. (35) The Iranian reply to Lord Curzon's first accusation was that the presence of British troops in Iran was responsible for attacks from Turkey and encroachments from Germans. The resultant damage to Iran would last for years.

To Lord Curzon's second point, the Iranian reply was equally sarcastic. It was pointed out that British actions were responsible for the instability of Iranian government. If a government acceptable to some foreign government was formed, it was not liked by the Iranians and if a government acceptable to the Iranians was formed, it was not liked by some or the other foreign Power and was, therefore, toppled. (36) Wiser course for British policy would have been to strengthen the Iranian government to enable it to protect British interests, but British actions actually weakened the Iranian cabinets. (37)


36 Minister Tehran to F.O.London, 182 dated 16 September 1921, 922-Mid Asia (1923).

37 Sitrah-i-Iran (Tehran) 10 August 1921.
On the last point of Lord Curzon, the Iranians were even more specific and outspoken. They replied that Russians had offered them terms which were acceptable from geographical, economic and political points of view. The Russians did not demand employment of their advisers for Iranian army and finances, nor did they ask for surrender of Iranian mines and resources to Russia. (38) It was pointed out that British government was also negotiating a settlement with Soviet Union to normalise British relations with that country. Where then was the harm, if Iran did the same? As for Lord Curzon's charge that the Iranians were fickle-minded, he was told that Iran had a constitutional monarchy and British policies could not be imposed on the country against the declared will of the people. (39)

There was actually no reason for this controversy. Norman had fully briefed Lord Curzon on the Irano-Soviet Treaty. (40) Norman had pointed out that Lord Curzon's guarantee to defend Iran against Bolshevik invasion had proved hollow and with Bolshevik troops firmly on Iranian

38 Ibid, 11 August 1921.
39 Ibid, 14 August 1921.
soil, there was no alternative for Iran but to come to
terms with the Soviet Union. (41) Norman felt that Iranians
should be given the credit for starting negotiations
with prior British consent. Subsequent progress of the
negotiations was also advised to the British Legation
at every stage. There was thus no reason for Lord Curzon
to get irritated on this score.

Popular Resentment against Great Britain

The Iranian Majlis had started assembling from
February 1921, but began functioning formally from 24
July 1921 after scrutiny of the credentials. An Anti-British
party under the leadership of Prince Miruz (Nosrat-ed-
Dowleh) emerged as the strongest. As co-author of the
Anglo-Persian Agreement he had played a leading role in
promoting British interests; but his incarceration
along with other Iranian notables by Syed Zia-ed-Din
had turned him violently anti-British. The Press and
the stalwarts of the Majlis including Syed Hassan Mudarris
supported him. His strength in the Majlis enabled him
to have influence over the cabinet.

The Iranian Press had been much influenced by the

41 F.O. London to Minister Tehran, 23 dated 13 January
1920, Ibid.
Indian national movement; and subsequent to the fall of Syed Zia-ed-Din, the campaign against Great Britain was unleashed in all its ferocity. (42)

Bolshevism had brought a new message for the downtrodden East; and nationalism in Iran grew in strength due to Bolshevik influences. The British Empire had lost its previous strength and the British policies of supporting some tribes and punishing others were bitterly assailed. (43) A charge often repeated in the Iranian Press was that the British authorities had won over large number of Iranian nationals through enchantment, flattery and friendliness to turn them against their own government. (44) The appointment of Sir Arnold T. Wilson as the Resident Director of Anglo-Iranian Oil Co. and the expulsion of Shia Mujtahids from Iraq all served as convenient sticks to beat the British with. (45) Lord Curzon's speech in the House of Lords on 26 July 1921, poor performance of the British Finan-

42 Britmilat Tehran to D.M.I. London, 0/37/7 dated 25 May 1921 and 0/37/10 dated 27 May 1921, 928-N (1923).

43 Asr-i-Azadi (Shiraz) 12 January 1922, Asr-i-Azadi (Shiraz) No.16 dated 29 March 1921. Gullistan (Shiraz) No. 28 dated 28 August 1921.

44 Adalat (Shiraz) No.7 dated 28 September 1921. Shafe-i-Sorkh, No.60 dated 15 August 1922. (Tehran)

45 Asri-i-Azadi (Shiraz) No.12 dated 15 October 1921.
cial Adviser, disbandment of South Persia Rifles and the activities of the Anglo-Iranian Oil Company in arriving at local agreements with the Iranian tribes combined to inflame Iranian feelings against the British government. British government blamed the Soviet Legation for provoking this anti-British propaganda, but in actual fact, Kemalist victories in Turkey and national upsurge in India also influenced Iranian opinion against Great Britain. (46) Additional factors were the performance of Lord Curzon and Norman, which were also severely criticised in Iran.

At one time, the fury of the Iranian Press against Great Britain was roused to such a high pitch that Sir Percy Loraine, who succeeded Norman at the British Legation, felt personally insulted and stopped all monetary advances to the Iranian government through the Imperial Bank of Persia. The British Minister bluntly told the Shah that if popular resentment against Great Britain in Majlis and Press attacks continued, no payments from British sources would ever be made and in

46 Zemindar an Urdu daily of Lahore was liberally quoted in the Iranian newspapers. That paper appealed to the Muslims to throw off the British yoke.
that case troops would not get their pay. That could result in the deposition of Qajar dynasty. (47) The strategy of British Legation at Tehran was to use every artifice to divert the press fury in Iran against the Soviet Legation and in this it succeeded by the end of 1922. (48) This was not, however, a lasting solution.

As a permanent remedy, it was suggested that either the British government should organise counter-propaganda to protect British position against Iranian press attacks or press the Iranian government to resort to restrictive and suppressive measures against anti-British press. As a result of British representations against Iranian newspapers, Iranian government was forced to suppress nine newspapers. (49) In addition, an emergency press law was passed by the Majlis on 2 November 1922 tenable till 21 March 1923 for trial of editors by jury. (50)

The possibility for Anglo-Iranian Oil Company and the Imperial Bank to have publicity sections of their own or to subsidise and finance newspapers to counter anti-British propaganda was also considered. Another

47 Minister Tehran to F.O.London, 478 dated 29 August 1921, 928-N (1923).


49 Minister Tehran to Iranian Prime Minister, 28 August 1922, 20-M (1923).

50 Minister Tehran to F.O.London, 714 dated 10 December 1922, Ibid.
step considered was that the British Minister should be withdrawn if the press fury continued against Great Britain. Although the British Foreign Office had approved this step, Sir Percy Loraine did not make use of this device.

**Iranian Army**

Before the transfer of Gendarmerie to the War Ministry under Reza Khan, proposals for amalgamating Cossack Division, Gendarmerie and South Persia Rifles had envisaged the employment of some British officers.

(51) However, when Gendarmerie was placed under the Iranian War Ministry, situation changed, as Reza Khan did not want to give executive powers to the British officers serving in Iran. (52) He was not willing to take over British and Indian officers of South Persia Rifles, but was willing to pay for arms, ammunition and stores of this force at agreed rates in easy instalments.

(53) The same policy was applied to the Gendarmerie and

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51 C.G.S.Simla to Britmilat Tehran, 1314-M.0.1 dated 1 April 1921, 928-N(1923), Pros no.3.

52 Britmilat Tehran to D.M.I. London, Q/14/1 dated 15 May 1921, Ibid.

53 Minister Tehran to F.O.London, 471 dated 25 August 1921, Ibid.
Swedish officers were replaced by the Iranian officers. (54)

Norman recommended acceptance of the Iranian terms for the transfer of South Persia Rifles, but the British government ruled that the force should be disbanded and surplus arms and ammunition destroyed at site. (55) The Iranian government badly needed these arms and ammunition for use of the disbanded personnel of South Persia Rifles, who were re-enlisted in the Persian Cossack Division and the British Minister fully supported the Iranian view. (56) The British government stuck to their original view, but agreed to sell only seven hundred rifles to Iran for protection of trade routes. (57) Lord Curzon did not want to oblige the Iranian government, unless Iranian policy was changed in British favour.

The destruction of British arms and ammunition infuriated

54 Minister Tehran to F.O.London, 670 dated 6 December 1921, 35-M (1923), 1-236.


56 Minister Tehran to F.O.London, 568 dated 12 October 1921, Pros 928-N (1923).

Iranian feelings against Great Britain.

Sardar Sepah had, from the beginning, been imbued with the idea of a national army and the British Legation fully endorsed this view. Accordingly, all the fighting forces under the War Ministry were amalgamated and transformed into a national army (Qashun) on 5 December 1921 comprising of five divisions located at Tehran, Tabriz, Hamadan, Isphahan and Ileshed. Their total strength at that time was 34,000. (58) Subsequently, an Independent Brigade was formed for North Iran directly under the War Ministry. The total strength grew to 40,000 with the eventual aim of raising it to 50,000. Prince Amanullah Mirza was promoted as Chief of the General Staff of the new force.

The creation of a national army was an event of unique importance in Iranian history. So far, Iranian tribes on the borders formed a part of the country's defence arrangement and arming the tribes was accepted as an integral part of the country's defence mechanism. The tribal armies were called Lashkar and some of the tribes enjoyed a semi-autonomous status in the Iranian polity. The central army was no match for the combined

tribal armies, but inter-tribal jealousies prevented their unity and Reza Khan took the opportunity to subjugate them one by one. (59)

The tribes were supposed to meet the first onslaught of the enemy till the central army arrived. The strength and expenditure of the central army was, thereby, kept at the minimum level commensurate with the defence requirements of the country. Under the new arrangement of Reza Khan, only the army under the Crown would be armed and the rest of the civilian population would have to be dis-armed. (60)

This was a colossal task and the means at the disposal of the new force were, to say the least, inadequate. For its financial requirements, the new force was dependent wholly on British sources and the arms and ammunition at its disposal were obsolete and inadequate. The variety of rifles and guns in possession of the Iranian troops was prodigal. This made the maintenance problem difficult and most of the arms were not fully serviceable. Supplies from British sources had been stopped since the fall of the pro-British

59 The total tribal force in South Iran was 215,750 and the Iranian army had a strength of 40,000.

cabinet of Syed Zia-ed-Din. (61)

The whole of North Iran was in a state of ferment due to the withdrawal of British troops and the presence of Soviet forces in that region. The Jangalis controlled Gilan. (62) Ismail Agha Simko, the Kurdish chief controlled the whole territory west of Lake Urumia from Khoi in the north to Sangkaleh and Salahshin in the south. (63) Col. Mohammed Taqi Khan held the whole of Khorasan defying central authority. On top of that, inspired rumours were going round that Russian troops might force entry into Iran, if war between Allied governments and Turkey broke out and Russia entered on the side of Turkey. (64) Turkish encroachments were also reported. In the face of these heavy odds, Iranian army relied solely on the determination and daring of Reza Khan, the Sardar Sepah.

The rebellion of Kuchik Khan was crushed and after

61 Britmilat Tehran to G.O.C. Baghdad, 0/39/14 dated 23 May 1921, 928-N(1923).


63 Minister Tehran to F.O. London, 566 dated 11 September 1922, Ibid.

64 Minister Tehran to F.O. London, 438 dated 12 December 1922, Ibid., 1-111.
initial reverses in the campaign against Simko, Iranian army won a decisive victory over the Kurds. (65) Iranian victory over the Kurds was doubly welcome to the British government, because it opened the western trade route and prevented the Kurdish revolt from spreading into Iraq. (66) Col. Mohammad Taqi Khan had been killed in a chance affray on 3 October 1921 and after sporadic fighting peace was restored in Khorasan. (67) When Reza Khan was busy in the pacification programme in the north he received encouragement and support from both the Russian and British Legations.

By the end of 1922, Reza Khan had completed subjugation of the Shahsevan tribe in Azerbaijan and he was now in a position to turn his attention to the thorny problem of disarming the tribes in South Iran. (68) Here the British interests predominated and he was careful not to offend these vested interests.


67 Minister Tehran to F.O.London, 560 dated 6 October 1921, 928-N(1923).

68 Minister Tehran to F.O.London, 100 dated 7 April 1923, Ibid.
Rumours were current in Tehran that Reza Khan would not be able to curb the southern tribes for fear of British opposition. (69) He felt stultified at these suggestions. He, therefore, sent a token force of 200 infantry, sixty cavalry and a couple of machine guns to Shuster, but at the same time he was anxious to assuage the ruffled feelings of the Shaikh of Mohammerah with assurances that his autonomy, special rights on taxation and jurisdiction would be respected if he cleared his arrears of revenue payments. (70)

Next to this was the issue of evacuation of the British troops from South Iran. British government was ready to order evacuation from Bushire, but Lord Curzon stipulated that evacuation of British troops from the Gulf ports would depend on satisfactory settlement of the British desiderata. (71)

The army no doubt was a unified force, but it was not yet properly fed, clothed and paid. Its finances were in a bad shape and Reza Khan had to seize part of


70 Minister Tehran to F.O.London, 469 dated 16 October 1923, 29-M (1923).

postal and provincial revenues to pay for the campaigns against the northern tribes. He could not ensure regular payments and the troops were in heavy arrears and discontented. Viewed in this background, the achievements of the Iranian army were really splendid.

During 1923, expenditure on the army totalled £2,090,000, which was a bit too high for the slender resources of Iran. The army now started giving a helping hand to the American Financial Advisers in the collection of revenue arrears from the provinces. General conscription was also introduced during 1923 and Aircraft and technicians were obtained from France.

**Iranian Finances**

The British government had ceased to supply money from October 1920, when it was all over with the Anglo-Persian Agreement, but complete stoppage from British government sources took place in 1921, after the fall of Zia-ed-Din's pro-British cabinet. (72) This coupled with the stoppage of the supply of ammunition was calculated to prevent the Iranian government from taking

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an anti-British course. There was, however, a fear in
the British mind that Reza Khan could turn to Russia
for help if supply of money from British sources dried
up completely. The Imperial Bank of Persia had been
persuaded to give an undertaking by the British govern-
ment that no advances of money would be allowed to the
Iranian government during 1921 on the security of the
oil royalties.

Oil royalty from the Anglo-Iranian Oil Company
was in the region of £600,000 a year and the revenues
from other sources amounted only to £10,000 a month.
This was attributable to the chaotic state of affairs
prevailing in Iran at that time. The oil royalty was
deposited by the Anglo-Iranian Oil Company in London
but the Imperial Bank had frozen all Iranian credits
in London against over-drafts in Tehran. (73) Unless,
therefore, the Imperial Bank allowed overdrafts to the
Iranian government as a normal customer the whole state
machinery, including the operations of the Iranian army,
was sure to come to a standstill. The Iranian government
was in need of an immediate advance of 150 to 200
thousand sterling to clear the arrears and £100,000

73 J.H. Balfour, n.5, p.244.
a month thereafter till the situation improved and the Iranian resources consequently increased. The local bank manager favoured this advance as a normal commercial arrangement, but the Imperial Bank London wanted to give an advance of £150,000 as a commercial arrangement to keep the army in operational readiness. (74) The Iranian Prime Minister wanted an additional sum of £1,000,000 for reforms. (75) British government sanctioned only £30,000 and £100,000 after a great delay. (76) Iranians could not understand why they could not make use of their oil royalty to draw advances from their State Bank or raise loans from any source they liked. This gave rise to the feeling in Iran that Russian Discount and Loan Bank, which had been placed at the disposal of the Iranian government by the Soviet Union, should be converted into another State Bank for the country. (77) British government was assured that

74 Minister Tehran to F.O. London, 561 dated 6 October 1921, 928-N (1923).

75 Minister Tehran to F.O. London, 591, dated 24 October 1921, Ibid.

76 F.O. London to Imperial Bank London, dated 10 August 1922, 35-M(1923) and 21 September 1922.

77 Minister Tehran to F.O. London, 249 dated 23 April 1921, 928-N (1923).
the British capital would be free to participate in the establishment of the proposed State Bank. (78)

The British government desired that all advances from the Imperial Bank to the Iranian government should be cleared by the British Foreign Office beforehand, so that political benefits to be achieved could be weighed before granting clearance. (79). This was a grave risk for the Bank, as the Iranian government was free to attach its charter, if it failed to function as the State Bank of the country. Lord Curzon, therefore, gave a warning that the British government would not fail to act in that eventuality. (80)

Curzon, however, realised the gravity of the position and allowed small advances of short duration without prior concurrence and specific authority from the British government. (81) These small overdrafts could be adjusted against customs receipts paid into

78 Minister Tehran to F.O. London, 2169 dated 30 April 1921, 923-N (1923).


80 F.O. London to Minister Tehran, 468 dated 5 December 1921, 35-M (1923).

81 F.O. London to Minister Tehran, 120 dated 5 May 1922, 35-M (1923).
the Bank. (82) The British Treasury also agreed that these small advances to meet the day-to-day requirements of the Iranian government were customary between a banker and his client. (83) It was, however, stipulated that advances against specific securities would have to be approved by the British government.

The Imperial Bank's lien on the customs revenues of Kermanshah, Sistan, Duzdap (now Zahedan) and Persian Gulf ports for servicing of British loans was due to lapse on 8 November 1922. The British Foreign Office argued that the Iranian government had taken no steps to pay interest and annual amortisation against the debt it owed to Great Britain. It, therefore, recommended that the pledge for these revenues should be extended till 8 July 1923. (84) The real reason, however, was that these revenues should not be allowed to fall in the hands of the Iranian War Minister and the Majlis for


84 F.O.London to British Treasury, E-9038-7-34 dated 13 September 1922. Finally, extension only up to 8 March 1923 was approved. 35-M(1923).
for utilisation against British interests. (85) These revenues were paid into the Imperial Bank and it was their duty as the State Bank of the country to utilise them for servicing the British loans and make over the surpluses to the Iranian government. The Iranian finances were in a completely dis-organised state and the British government were making the best of this state of affairs to deny Iran the use of its revenues.

The British Financial Adviser had been unable to do anything to re-organise the Iranian finances. The Majlis and the people were against him and it was unlikely that he would ever prove effective. His contract was, accordingly, cancelled on 1st September 1921.

(86) The British Legation suspected that the Soviet Legation was responsible for this decision of the Iranian government to give a serious set-back to the British interests, prestige and influence in Iran. (87)

Negotiations for employing Dr A.C.Hillspaugh as Financial Adviser from USA had been going on and a bill

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85 Minister Tehran to F.O.London, 316 dated 25 August 1922, Ibid.

86 Minister Tehran to F.O.London, 492 dated 3 September 1921, 928-N (1923).

87 Minister Tehran to F.O.London, 494 dated 4 September 1921, Ibid.
on this subject came up before the Majlis on 26 July 1922 and was approved. (88) The terms offered to Millspaugh showed that the Iranian government placed full reliance on the US for financial regeneration of their country. He was given a five year term with powers next only to the Iranian Finance Minister. (89) US State Department was assured of British diplomatic support for Dr A.C. Millspaugh. (90) The British Military Attaché Tehran went so far as to suggest that in case Reza Khan ever came in conflict with Millspaugh, the latter should be fully supported and prevented from resigning. (91)

The British government stood in the way of a loan amounting to £200,000 from the Imperial Ottoman Bank of Iran, but allowed the Imperial Bank of Persia to advance this amount to the Iranian government through the facilities provided by the Anglo-Iranian Oil Company. (92) The American Financial Adviser was on


89 Iran (Tehran) 27 July 1922.

90 US State Department Memorandum dated 22 August 1922, 35-M (1923)


92 Minister Tehran to F.O. London, 366 dated 5 October 1922, F.O. London to Minister Tehran, 251 dated 7 October 1922, Ibid.
his way to Iran and lack of any conditions to the above loan showed that the previous practice of using monetary advances as part of pressure tactics at Tehran would be given up by the British government and an era of fruitful co-operation through the joint efforts of British Legation and the American Financial Mission had dawned. (93)

The working of the American Financial Mission gave a new promise to the country. All revenue resources, receipts and expenditure were centralised at Tehran. Budgets were regularly prepared and placed before the Majlis. The Americans and the Majlis worked in close co-operation. There was no need for foreign loans now and the previous Majlis authorisations for loans from USA were not utilised. (94)

Reza Khan was given a lump sum allocation of tomans 800,000 (approximately £200,000) a month for the Army expenditure and the British power to pressurise Reza Khan through control of purse strings thus came to an end. (95)

Northern Oil Concession

Reza Khan's centralising programme had been seriously

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93 He arrived in December 1922.
94 Minister Tehran to F.O.London, 309 dated 1 October 1923, 49-M(1923).
handicapped due to shortage of funds. The British government had stopped supply of funds and supply from non-government sources was inadequate and behind time. Soviet Union had no funds to spare for Iran. The Iranians, therefore, turned to USA, which had plenty of money and was also an ardent advocate of the policy of open door.

Following the Majlis ratification on 15 December 1921 of Irano-Soviet Treaty dated 26 February 1921, the Iranian government felt that it could now turn to the development of oil resources in North Iran. The northern oil concession, previously held by a Russian subject (Khoshtaria), was nullified following the ratification of the Irano-Soviet Treaty. In February 1920, the Anglo-Iranian Oil Company had purchased the Khoshtaria concession for oil exploitation in northern provinces but it had become defunct on account of Soviet renunciation of all past concessions owned by the Russian subjects in Iran. (96) The Iranian government had never recognised its validity because it had not been approved by the Majlis. The British government

96 Iran-i-Azad (Tehran), 52 dated 6 June 1922.
had also accepted this position. (97) Lord Curzon, however, gave an assurance to the Anglo-Iranian Oil Company in April 1920 that the British government would support the validation of this concession. The British government stuck to its stand that the concession was legally the property of Anglo-Iranian Oil Company and instructed the British Minister Tehran to reserve British rights to it. (98)

A French firm, La Meurhote Hcin based in Paris, had also applied for this concession in 1920. This firm also now started pressing for its claims on the ground that its earlier application had been pending for a long time. (99)

The US government regarded the Khoshtaria concession as invalid as it had not been approved by the Majlis in accordance with the Iranian constitution. (100) The


100 British Ambassador Washington to F.O. London, 670-R dated 20 October 1921, Ibid.
Iranian government were keen to give the northern oil concession to an American Oil Group. The aim was to put an end to British domination over Iranian economy and to introduce healthy competition by inviting the American capital to take interest in all the fields of Iranian reconstruction. This policy included engagement of American financial advisers and floating of loans in the American money market for economic regeneration of Iran. The memory of Mr Morgan Shuster was still alive in Iranian minds and the idea of engaging American financial advisers was unanimously welcomed in Iran as the harbinger of a new era of U.S.-Iranian co-operation in the economic field.

The British arguments to substantiate their claim to the Khoshtaria concession appeared puerile. Their first argument was that the concession was privately owned because Khoshtaria had purchased it from Sipah Salar Azam. (101) Secondly, it was argued that the concession did not stipulate that it would have to be ratified by the Majlis. Thirdly, it was pointed out that

101 Sipah Salar had owned this concession since 1895, when no Majlis was in existence.
for an oil concession to Standard Vacuum Oil Company for Azerbaijan, Gilan, Astrabad, Mazanderan and Khorasan and approved it. (103) The British and the French governments dutifully protested against this Majlis resolution. (104)

As a corollary to the above resolution, the Iranian government finalised its proposal for the engagement of an American financial adviser and it was stipulated that Standard Vacuum Oil Company would start its operations only when the American financial advisor assumed office. (105) The Iranians did not anticipate Russian opposition to this proposal, because Soviet Union was also attracting American capital for reconstruction and development in Russia.

The British government had seen the futility of its opposition to the Iranian proposal for granting northern oil concession to some US firm. It now found

103 Minister Tehran to F.O.London, 648 dated 22 November 1921, Ibid.


virtue in Anglo-American co-operation in the new venture. (106) The terms of the concession were being worked out in Washington and the British government persuaded the US government to accept collaboration of the Anglo-Iranian Oil Company. (107) It was also agreed that the proposed loan would be jointly raised by the British and American companies, secured on the oil royalty of the British company.

An important feature of the concession was that the Standard Vacuum Oil Company reserved the right to withdraw from the concession after one year. In the event of its withdrawal, the whole concession would revert to the Anglo-Iranian Oil Company. This militated against the Iranian policy of breaking the monopoly of British control over its oil resources by bringing in American capital in the northern provinces. The Iranian government was opposed to those terms, because in that way the British company could gain the northern concession through the back door. The British government retaliated by refusing to allow the oil royalty to be pledged.

106 Minister Tehran to F.O.London, 97 dated 10 February 1922, Ibid.

107 F.O.London to Minister Tehran, 54 dated 13 February 1922, Ibid.
against the proposed loan. (108) In fact, the British
government did not want US enterprise to enter Iran as
a rival to British interests.

The US government also did not want American
capital to enter Iran as a rival to Great Britain as
that would ruin the chances of American enterprise in
other British possessions. The American Oil companies
had their eyes specially on Iraq and Palestine - both
of them British mandates. Sensing American hesitation
to come in as rivals to Great Britain, the British
government now began to oppose the engagement of American
financial advisers with the argument that the Iranians
were working for rivalry between UK and US and were
not interested in equality of opportunity. (109) At the
same time, the Anglo-Iranian Oil Company demanded that
the Standard Vacuum Oil Company should pay half the
price paid by the former for purchase of Khoashtaria
concession. The US company thought that the purchase
price paid by the British company was too high and it
refused to share it half-half. (110)

108 British Ambassador Washington to F.O. London, 17
dated 16 January 1922, Ibid.

109 British Ambassador Washington to F.O. London, 80 dated
23 January 1922, Ibid.

110 British Ambassador Washington to F.O. London, dated
1 February 1922, Ibid.
The Iranians had always believed that British opposition to the industrial development of their country had resulted in economic stagnation, unemployment and distress. This belief was now reinforced by the frustration of their efforts for economic recovery through American co-operation. (111) The Soviet Union had always objected to British participation in the northern oil concession and the Majlis agreed with it. (112) The Majlis now came to know that the concession was actually a joint Anglo-American enterprise and that the British government had stalled the negotiations for a loan from US by refusing to allow oil royalty to be utilised as security for the loan. On top of that, the British government turned down the suggestion from the British Legation Tehran that a bank advance should be authorised to meet the prevailing crisis. The British Foreign Office wanted to use it as a weapon to force the Iranian government to approve the joint oil concession for the northern Iranian provinces.

The Iranian government was not basically against Anglo-American co-operation, but they wanted to main-

111 Iran-i-Azad (Tehran) No.52 dated 6 June 1922.
112 F.O.London to Minister Tehran, 66 dated 2 March 1922, 49-M (1923).
tain American facade of the company to be formed to exploit the northern oil. This device was suggested to enable the Majlis to approve the concession in accordance with its previous resolution. However, the Anglo-Iranian Oil Company objected to this device, because if Standard Vacuum Oil Company eventually withdrew, its share would, in that case, revert to the Iranian government. The trend of the negotiations showed that the British government was opposed to the Iranian ownership of their oil resources. This was a suicidal policy, as Iranian resentment against the British policy would make it difficult for the D'Arcy concession to be renewed. (113) The resentment in the Majlis had risen so high that another American company was brought into the field to take up the northern oil concession single-handed. (114)

The news of the entry of Sinclair Oil Company into the arena produced a sobering effect on the Anglo-Iranian Oil Company and the Standard Vacuum Oil Company. Both of them now agreed to share the loan of five million

113 Minister Tehran to F.O.London, 111 dated 15 February 1922, Ibid.

dollars. (115) One million dollars were actually paid straightaway and the remaining four million dollars were promised on the ratification of the concession. The British government hinted that Iranian acceptance of the first instalment of the loan would ipso facto be acceptance of the joint oil concession. The Majlis refused to accept this position saying that its resolutions on oil concession and loan were quite separate, although both formed part of the same scheme of introducing American interests in Iranian development. (116)

This time again, the Soviet Minister agreed with the Majlis and objected to British participation on the ground that the French and British engineers serving near Russian borders would constitute a threat to Soviet security. (117) He made an offer that Russia would take up the concession and provide funds. He was prepared for a joint concession with some other party. Reza Khan desired that Russian offer should be considered.

115 Anglo-Iranian Oil Company London to F.O. London dated 17 February 1922, Ibid.


He was obsessed with the fear that the Soviet Union might intervene, if the British government insisted on British participation in the northern concession. He wanted to know what support could UK and USA give if that actually happened.

The Majlis now took a bold stand that its earlier resolution had ruled out British participation, as it had approved only Standard Vacuum Oil Company for the oil concession. (118) Because the American company now insisted on British participation, the Majlis modified its earlier resolution by stipulating that the concession should be given to any American oil company that came forward and accepted the Majlis conditions. Sinclair Consolidated Oil Company now entered the field as a competitor to both the Anglo-Iranian Oil Company and the Standard Vacuum Oil Company. (119)

Both these companies now realised they had blundered and in the changed situation, they agreed that the concession clause relating to the withdrawal of Standard

118 Minister Tehran to F.O. London, 247 dated 12 June 1922, Ibid.

119 Minister Tehran to F.O. London, 212 dated 7 May 1922 and 248 dated 13 June 1922, Ibid.
Vacuum Oil Company should be deleted. They also agreed to delete any mention of Anglo-Iranian Oil Company in the concession. (120) The British government also became reconciled to an exclusive concession in the name of Standard Vacuum Oil Company. They were not, however, prepared to allow the oil royalty to be pledged for the loan of five million dollars. (121) The Iranian Prime Minister was prepared to revive the proposal for concession in the name of Standard Vacuum Oil Company provided Iranian nationals could also be allowed to purchase shares and the oil produced was sold in Iran for internal consumption at special rates.

However, the Sinclair offer of concession proved attractive as they offered a royalty of sixteen per cent initially rising to twenty-five per cent of net profits and they proposed a loan of ten million dollars. (122) The US Legation previously showed no preference for any American company, but they now supported the


121 F.O. London to Minister Tehran, 151 dated 12 June 1922, I ribs.

122 Minister Tehran to F.O. London 261 dated 28 June 1922, I ribs.
Sinclair offer. It now became apparent to the Anglo-Iranian Oil Company that it would have to wash its hands of the Northern oil concession. The Standard Vacuum Oil Company was willing to share the concession with the British company, provided the latter's name was not mentioned and some camouflage was used to conceal its participation. The Anglo-Iranian Oil Company did not accept this formula, because it feared that the Iranian government would cancel the concession, when the disguised participation became known to them. It, therefore, opposed the principle that the Iranian government could cancel any concession it liked.

The company wanted the British government to lodge a protest to the Iranian government against their policy on Northern oil concession, but the British Legation advised that Anglo-Iranian Oil Company should hold low for the time being and watch further developments.

(123)

The Iranian Majlis approved the Northern oil concession bill laying down the terms and conditions of the concession for any American company. (124)

123 F.O. London to Minister Tehran, 11 dated 15 January 1923, Ibid.

124 Minister Tehran to F.O. London, 200 dated 20 June 1923, Ibid.
It was apparent that the Iranian Majlis was against participation of the British oil company. The company also was unable to invest a large amount in the northern oil enterprise, as it had doubts if oil in commercial quantities could be produced. Even if oil could be produced, its marketing would have to be arranged through Russia. Actually oil in North Iran was beyond the reach of a British company, but it was within the reach of Russia, who had agreed that only an American company could exploit the Iranian oil resources in the northern regions, where US-Russian participation was possible, but not an Anglo-American co-operation. (125)

British efforts were now concentrated on foiling the Sinclair Oil Company on the Northern oil concession, but Iranian opinion supported the Sinclair offer. (126)

The company had good relations with Russia and had participated in Baku oil operations with Barnsdale Corporation. (127)

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125 Minister Tehran to F.O.London, 541 dated 22 November 1923, Ibid.
126 Minister Tehran to F.O.London, 425 dated 23 December 1923, Ibid.
When the Majlis was debating the terms of the concession and appeared to be in a mood to approve it, Major I.H. Imbrie, the US Consul, Tehran, was murdered on 18 July 1924 by some fanatics in Tehran. The Sinclair representative had therefore to leave Tehran in haste and the Majlis had to give up discussion of this concession. (128)

New Policy in the Making

The traditional British policy had all along been to defend British position in India against possible attack from or through Iran. (129) Promotion of export/import trade between Great Britain and Iran came next to this primary objective. It had, therefore, been the axiom of British policy not to allow an inimical power to consolidate its position in Iran and it needed many years of hard work and huge expenditure to build up the British position in Iran. In course of time, the imperial concern was transformed into important political and commercial interests.

The War had brought many changes in the internal and external situation of Iran and British policy was, therefore, required to be modified to keep pace with

the times. Iran was now a member of the League of Nations and had attained a definite international status. The Soviet power had emerged in the north in spite of Allied military intervention; and after the evacuation of British troops from Iran, traditional military confrontation between Great Britain and Russia was transformed into a political conflict. In Iran, Soviet Legation promoted anti-British propaganda to force Great Britain to change its attitude towards Iran and the Soviet Union. Iran had concluded a treaty with Soviet Union on 26 February 1921, which was ratified by the Majlis on 15 December 1921. Negotiations for a commercial treaty between them dragged on for a long time and broke down in December 1922. (130)

Afghanistan, another neighbour of Iran in the north, had cast off the age-old British tutelage. Iran concluded a treaty with that country on 22 June 1921. (131) Turkey was emerging triumphant against Greece and Iran had started negotiations with that country also for putting Irano-Turkish relations on a good-neighbourly

130 Fāmisr Tehran to F.O. London, 746 dated 23 December 1922, Ibid.

131 Fāmisr Kabul to Viceroy Simla, 37909 dated 9 July 1921, 49-H (1923).
basis. Iraq had emerged as a separate sovereign entity from the ruins of the Ottoman empire but was still under a British mandate. Iran was therefore in no hurry to enter into treaty relations with Iraq on the conclusion of Lausanne treaty between the Allied Powers and Turkey on 24 July 1923. (132)

As a result of the introduction of Montford reforms, the political situation in India had also undergone a change. India was now a member of the League of Nations. The British government's commercial strategical and political interests were no longer regarded as conducive to the attainment of India's political and other aspirations. India was now disposed more and more to regard external political interests from a purely Indian rather than from an imperial point of view.

Iran considered itself superior, racially and culturally, to all its neighbours and felt a natural urge to seek a change in its external and internal policies. Cultural nationalism already dominated Iranian thinking, but political nationalism had been of recent origin. The Bolshevik propaganda also touched a ros-

ponsive chord in Iran. Previously, Iran, along with the rest of Asia, had been dazzled by the superiority of military and mercantile order of Western capitalism. However, the savagery of the European war had convinced Iranians of the moral inferiority of Western civilisation and had infused a new sense of national self-confidence. All this combined to produce a widespread restiveness in the country against British domination.

The British policy under Curzon did not, however, change to cope with the requirements of the new situation. After the coup d'etat, the power balance in Iran had changed. Zia-ed-Din, the Prime Minister, and Reza Khan, the War Minister, had not come to power as a result of a regal dispensation from the Palace. The British government developed friendly relations with them both and also with the Shah. Syed Zia-ed-Din's uncivilised exit had demonstrated that Reza Khan had come to stay as an enduring factor in Iranian political life. The British Legation came to look upon him as the only visible element of stability in the country. He was a Shi'a Moslem and Bolshevism was an anathema to him. British Legation supported him unreservedly to frustrate Bolshevik propaganda in Iran.

Qovan-e-Sultaneh the new Iranian Prime Minister was
as pro-British as his predecessor, Zic-ed-Din. Qavam's family had an unbroken record of British friendship.

The Shah also served British interests from the beginning. He had a penchant for foreign travels and whom he was away his brother Crown Prince Mohamed Hassan Farza acted as Vali Ahd. The Crown Prince desired that the British Legation's views should be made known to him through Hishmat-es-Sultanah, the Grand Master of Ceremonies. (133) He also undertook to impose British views on the cabinet as his own. The British government effectively used the power of purce to influence the situation in Tehran in their favour. (134)

The aim was not only to defend existing British interests but to include the northern region also within the British sphere. The Soviet Union was firmly opposed to these British moves because they had voluntarily given up their influence and could not, therefore, tolerate British encroachments in that region. The war of intervention fought by the British forces from their foothold in North Iran was still fresh in the Soviet


134 Minister Tehran to F.O.London, 185 dated 15 April 1922, Ibid.
mind and they were naturally opposed to the re-establishment of British influence near their bordors.

The Soviet Minister made a good start by developing good relations with Reza Khan. (135) The Iranians believed that the British Legation had cleverly diverted popular hatred against the Soviet Legation. The tide now turned against the British government. The Iranians also looked upon the Soviets to help them to overcome the prevailing economic distress in the country. At one time, Reza Khan was willing to grant northern oil concession to the Soviet Union to obtain Soviet funds, but the latter was in no position to provide monetary assistance to Iran. (136) The Soviet government believed that by liberating Iran from the shackles of the past, it had contributed more than its share for Iranian regeneration.

The British Legation worked with rare diplomatic skill to gain its ends. The Shah was already against the Soviet regime. Reza Khan had shown some inclination towards the Soviet Minister and suspicion between the


136 Minister Tehran to F.O. London, 89 dated 10 June 1921, Ibid.
Shah and Reza Khan was worked up to isolate the latter from the mainstream. (137) Reza Khan was, as a result, much handicapped in his programme for the re-organisation of the army and centralization of authority in Tehran. This frustration led Reza Khan to think of resigning. (138) The British efforts to thwart the policy of Soviet Legation also proved successful and the Soviet Union threatened to break off relations with Iran. (139)

The Shah, Qavam-es-Sultaneh and Reza Khan now feared that the Soviet Union might use force if the trends against that country were allowed to drift too far. (140) Reza Khan patched up his quarrel with the Majlis and appealed to the British government for financial assistance. (141) The British government also accepted the policy of non-interference in the domestic affairs of Iran and welcomed Reza Khan's advent to power. (142)

137 Minister Tehran to F.O. London, 540 dated 28 September 1921, Ibid.
139 Minister Tehran to F.O. London, 427 dated 28 November 1922, Ibid.
140 Minister Tehran to F.O. London, 432 dated 7 December 1922, and 465 dated 27 December 1922, Ibid.
142 F.O. London to Minister Tehran, 252 dated 10 October 1922, Ibid.
Pursuant to this policy the Iranian decision to engage advisers for their government departments from non-limitrophe countries was accepted and Iranian policy of giving oil concession to the US and of engaging American financial advisers was supported. (143) Although the British government did not want intimacy of relations with Iran, but close co-operation was maintained.

The international conferences at Lausanne and Geneva had gloomy forebodings for the Iranian government. They feared that if the British government would have its way at both these conferences, they would ride roughshod in Iran without let or hindrance. (144) If the conference at Lausanne failed and hostilities broke out between Turkey and the Allied Powers, Iran could again become a battlefield for rival armies. (145) Rumours showed that Soviet Union was working on a scheme for union of Islamic countries and Soviets would not keep

145 F.O. London to Minister Tehran, 12 dated 16 January 1923. British government was sure that Soviet army would not enter Iran, 35-M(1923).
aloof if a conflict between the Allies and Turkey ensued. (146) Hints were given to the Iranian government that Soviet troops might demand right of passage through Iranian territory.

The Iranians were careful not to give any concessions to Great Britain for fear that Soviet Union might not demand similar concessions for itself. Secondly, the Soviet pressure was having its effect and Crown-prince Sultanoch had to resign. (147) He was succeeded by Mostoufi-ul-Mamalek, who previously had pro-Turkish leanings, but now had friendly disposition towards the British Legation.

The British policy had so far favoured the process of centralization in Iran through Reza Khan and the financial regeneration through the American Financial Advisers. The only condition governing this policy was that the constitutional form of government should be respected by Reza Khan. (148) Secondly, apprehensions had grown that in pursuit of his centralising drive,


148 Minister Tehran to F.O.London, 1 dated 1 January 1923, Ibid.
Rosa Khan might come in conflict with British interests. He would not, of course, damage the property of the Anglo-Iranian Oil Company, but he could come in clash with Bakhtiari Khans and the Shaikh of Mohammerah, who had, so far, felt safe under British guarantees.

Lord Curzon deprecated the rigid determination of Reza Khan and desired that warning should be given to the latter that his centralising policy should not come in collision with the British interests in South Iran.

However, Sir Percy Loraine, who had a better view of the situation, realised that British policy had been handicapped by its connections with the reactionary elements and the Soviet policy made a headway due to its support to the democrats and nationalists. He suggested that Reza Khan should be supported in his ambitions to become the Iranian Prime Minister, as he had given a written assurance that he would not interfere with Shaikh Khasal of Mohammerah. The arrangement regarding the Shaikh was likely to run into difficulty, because he was avoiding payment of his revenue arrears and was in contact with King Fuaisal of Iraq; both these
factors would enrage Reza Khan. (149) The situation in Tehran was also not entirely in favour of Great Britain as Mostoufi-ul-Mamalek had a pro-Turkish bias and the Turkish Embassy had been re-opened shortly after he became the Iranian Prime Minister. The situation was relieved a bit for Great Britain when he was replaced by Mushir-ed-Dowleh on 13 June 1923. (150) However, the anti-British agitation was again revived by the arrival of nine leading ulema from Iraq headed by Mahdi-al-Khalisi. They had been expelled from Iraq because the Mahdi had issued a Fatwa against elections in that country. (151) The political atmosphere in Iran was further complicated by the unexpected demand from the Soviet government that railway built by the Czars at Enzeli should be returned to them. They also demanded revival of right to navigation in Lake Urumia and to the fisheries in Caspian. They sent a gunboat with fifteen Soviet soldiers to seize the Caspian fisheries. (152)


150 Minister Tehran to F.O.London, 196 dated 18 June 1923, Ibid.


152 Minister Tehran to F.O.London, 441 dated 3 October 1923, Ibid.
The trend began slowly to turn against the Soviet Union and the Iranians expected that the Soviets would demand the revival of their capitulatory rights.

The inevitable now took place on 23 October 1923 when Reza Khan became the Iranian Prime Minister. (153) While many Iranians looked up to him for leadership the Shah and the professional politicians looked upon him as an intruder. (154) The Shah was most unhappy. At one stage he wanted to leave Iran without appointing any Prime Minister but Reza Khan refused to run the government in his capacity as the War Minister. At last a compromise was worked out between them and the Shah signed the royal rescript appointing Reza Khan as the Prime Minister. Reza Khan issued a communique stating that Shah was proceeding abroad for reasons of health. (155)

The Shah feared that either he would be dethroned or the Qajar dynasty would be abolished. (156) In the

153 Minister Tehran to F.O.London, 343 dated 24 October 1923, Ibid.

154 Minister Tehran to F.O.London, 530 dated 20 November 1923, Ibid.

155 Minister Tehran to F.O.London, 485 dated 31 October 1923, Ibid. The Shah left Iran on 4 November 1937 after Reza Khan’s cabinet was formed on 29 October 1923.

156 Minister Tehran to F.O.London, 482 dated 31 October 1923, Ibid.
latter case, either a republic would be established to replace the monarchy in Iran or Reza Khan would found a new dynasty of his own.

With the coming into power of Reza Khan, stability was firmly established in Iran and the era of the spheres of influence of foreign powers was over for good. The Irano-Soviet relations were, no doubt, strained; but Reza Khan expressed his keen desire to ameliorate Anglo-Iranian relations.

Shortly afterwards, the government in the United Kingdom changed and J. Ramsay MacDonald, the new Labour Prime Minister, took over the foreign portfolio on 22 January 1924. His first act was to reverse Lord Curzon's policy towards Russia by according de jure recognition to the Soviet regime on 1 February 1924. This influenced the situation in Iran where hopes that British policy would take a dramatic turn towards Iran as well ran high. (157) Sir Percy Loraine's visit to London for consultations strengthened such hopes. (158) It was believed that the sympathetic attitude of Sir

157 Minister Tehran to F.O. London, 42 dated 2 February 1924, Ibid.

Percy and sweet reasonableness of Ramsay MacDonald would pave the way for a bright future for Anglo-Iranian relations.

**Conclusion**

The failure of Anglo-Persian Agreement and the coup d'état provided an opportunity to Great Britain to revamp and reshape its Iranian policy to suit the changed conditions. The Iranian desire to bring in the US capital through the Oil Concession in the Northern regions of Iran, dollar loan for the development of commerce and industry and the American Advisers afforded another opportunity to Great Britain to mend its fences with Iran and introduce Anglo-Saxon co-operative endeavour in Iran to keep the Soviet influence away from the Indian borders. However, the oil negotiations between Iran and US were sabotaged on account of the anxiety of the Anglo-Iranian Oil Company to have a share in the Northern Oil Concession. The main purpose of British willingness to facilitate the American Financial Mission under Dr A.C.Kilspough was to vitiate Irano-Soviet relations with the eventual aim of exterminating communist influence which had infiltrated into Iran. Thus the underlying purpose of British policy had not changed; only the tactics changed. The soothing touch of Sir Percy Loraine did have some effect but real
improvement in Anglo-Iranian relations could not be achieved because British government now expected the new government of Iran and the American Financial Mission to serve British interests. The intention was to give up the age-old privileges for some quid pro quo and not for the sake of improving the lot of the Iranian people.

Thus, the Iranian suspicions against Great Britain and fear of Russia continued as before and bitterness on account of those factors cast its shadow on the future relations between the two countries.