

Abstract

By the mid-20th century, the Anglo-Iranian Oil Company (AIOC) had become a large British multinational which considered Iran as its 'own town'. It was a very common complaint that members of the British staff of the company treated their Iranian colleagues and subordinates as racial inferiors, and Iranians of all grades, from workmen up to senior staff including UK graduates claimed to have experienced insults on the grounds of nationality from British staff.

In 1948 the AIOC entered into negotiations with the Iranian Government for a revision of the terms of the 1933 Concession. The Government proposed Article (16) of the revised Concession to increase investments in welfare benefits, such as health, housing, education, and implementation of 'Iranianisation' which aimed to increase the representation of Iranian staff in the company, including high level managerial positions. Article (16) clearly signaled Iranian resentment towards their confinement to lower levels of the company.

However, regardless of the importance of Iranianisation, Article (16) seemed to alarm the British who feared that they should be driven out of business. The company feared if it went to arbitration it would find itself suffering judgment over conditions of work, health, wages and other difficult problems of relations between the company and the government. The chairman of AIOC (Sir William Fraser) was aware that the 1933 concession was in AIOC's favor and of only marginal benefit to the Iranians. He asserted that any attempt to revise the concession would do a great deal of harm. Although the historical literature has documented the dispute over Iranianisation, mainly as a backdrop

to the nationalization of 1951 and subsequent coup of 1953, the validity of the two parties' claims have not been thoroughly investigated.

This paper addresses the claims by the Iranians against the AIOC and the company's counter claims, and the tactical methods adopted by the AIOC management, including the management of information. It draws on a wide range of archival evidence from various historical sources such as the Iranian Press "ITTILA'AT", UK Press, archival records of correspondence between the chairman and various diplomats and the AIOC annual reports. Specifically, it contrasts the pronouncements of the AIOC in public documents such as the Annual Reports with private views reflected in correspondence and third party evidence, allowing an objective assessment of the extent of Iranianisation ahead of the political crisis of 1951.

The analysis shows that the AIOC was discriminatory towards Iranians, reflecting a negative attitude to their technical potential as well as traditional colonial stereotyping. More importantly, the AIOC resisted Iranianisation because the redistribution of employment in favor of Iranians, including at senior level, threatened to compromise the control of the business. It was this point that was most strenuously resisted by the AIOC negotiators. The company was more willing to compromise on other aspects that were less threatening to overall control, for example on housing and health care. These concessions were insufficient to forestall the ensuing nationalization crisis, which after all, was all about the crucial question of control of the oil fields.

Imperialism, Employment and Racial Discrimination: The Anglo-Iranian Oil Company, 1933-1951.

Introduction

In the years before and immediately following the Second World War, the rising tide of nationalism posed new challenges to western businesses with major overseas interests. As the period of formal colonialism came to an end, these businesses needed to find new mechanisms to protect their interests from the twin threats of nationalism and organized labor¹. The new approach can be characterised by on the one hand the development of corporate social responsibility (CSR) programs to include local populations, including the development of inclusive networks of social capital,² and on the other, a greater reliance on informal and covert mechanisms of social control. These policies were utilized with varying degrees of success by the Anglo-Iranian Oil Company (AIOC)³ in the period 1947-1951. From 1947 onwards, the company was engaged in talks with successive Iranian governments to renegotiate its oil drilling rights formerly granted in the 1932 concession. As a consequence, the company was pressured to engage in ‘Iranianisation’, essentially a CSR program aimed at giving Iranian employees increased status and access to the benefits of employment, housing and education. Political attitudes in Iran, and

¹ Bucheli, *Multinational corporations, totalitarian regimes and economic nationalism*.

² Verhoef, *Nationalism, social capital and economic empowerment*.

³ Originally the Anglo-Persian Oil Company, in deference to the Shah it became the Anglo-Iranian Oil Company in 1935 and in 1954 took on the name of its former marketing subsidiary, British Petroleum. Elm, *Oil Power and Principle*, 36, Chandler, *Scale and Scope*, 303. For consistency Iran as in AIOC, rather than Persia, is used throughout, except in direct quotations.

toleration of the company's continued presence, were strongly influenced by perceptions of the achievements of this program. Its ultimate failure might be assumed from subsequent events, as the rising tide of popular feeling led to the nationalization of the AIOC's Iranian assets by the Mussadiq government in 1951.

There are, however, disagreements amongst historians about the discrimination that Iranian employees of the AIOC allegedly suffered and the political impact of Iranianisation. In the official corporate history, the AIOC's achievements in providing housing, education, social benefits and greater seniority for its Iranian employees were substantial⁴. In this view, the political crisis that resulted in nationalization was a consequence of political forces beyond the immediate control of the company. Because the company had taken steps to fulfill its CSR obligations to employees, its appeal to international law to recover its assets following the nationalization was fully justified. An alternative view promulgated typically but not exclusively by Iranian historians, was that the AIOC paid only lip service to the Iranianisation process, and that its obstinacy fueled the subsequent political crisis⁵. The views of historians also reflect the attitudes of AIOC and Iranian negotiators during this period, with claim and counter-claim about the company's attitude to its employees.

⁴ Bamberg, *The History of the British Petroleum Company*, 361-374.

⁵ Truman and US diplomats also became increasingly exasperated by British attitudes as the nationalization crisis unfolded, culminating in the CIA backed coup of 1953. For example Acheson and others had for some time been annoyed by Fraser because of "his parochial arguments about commercial feasibility, and by the apparent failure of the British government to control company policy" (Marsh, *HMG, AIOC and the Anglo-Iranian Oil Crisis*, 163).

The nationalization of 1951 had dramatic and enduring consequences. AIOC had its assets and some of its rights restored following the successful CIA backed coup of 1953. For the Iranian people, this meant living under the dictatorship of the Shah and the continued exploitation of oil resources by overseas companies. At the same time the forces of secular nationalism were weakened, paving the way for the Islamic-led revolution of 1979, which has based its political power on distrust of western influences and motives. Although there are other complexities at work in the longer run, the events of the late 1940s and early 1950s are important contextual factors for subsequent Middle-Eastern politics. It is therefore important to review the evidence on discrimination and CSR in that period for this reason. A further justification is that the treatment of historical evidence has tended to reflect the bi-polar aspects of the negotiations and the differences in historical interpretation. Such evidence has therefore been used selectively, with the consequence that certain key documents have been neglected. It is the purpose of this paper to review these neglected documents and in doing so assess the justification of the claims made by both sides about the motive and extent of the AIOC's CSR program. These documents include the private and public correspondence of AIOC executives and diplomats and published statements in the press and annual reports, obtained primarily from the BP archive.

The purpose of the analysis of the documentary evidence is to assess the motives of the AIOC towards CSR by comparing the tone of their public and private correspondence. In the next section the background to the negotiations is presented, together with the historiography of the Iranianisation debate, in order to set the context for the subsequent analysis. In the third section the archival evidence is reviewed, with

particular reference to the role of Sir William Fraser (1888-1970), the AIOC's chairman (1941-1956)⁶. His attitudes towards the Iranian staff, public and private, are used to interpret the underlying motives behind AIOC employment and CSR policy. A final section draws conclusions.

Iranianisation and nationalization: the state of the debates

Background to the negotiations

Throughout the first half of the Twentieth Century, the AIOC had been heavily implicated in the political economy of the Middle East, and in particular, Iran. Writing of the AIOC in 1959, Winston Churchill praised the historic role of 'this great enterprise' contributing to 'national prosperity in peace and our safety in war'⁷. Churchill's comment reflected increasing British dependence on oil in the two world wars and the reorientation of the peacetime economy away from coal. More than coal, the oil industry has been associated with government intervention due to its importance in providing intermediate inputs to the modern economy. In 1914 the British government had taken a 51% stake in AIOC⁸. The company was Iran's main source of income: Iran was the site of the world's largest refinery, was the second largest exporter of crude petroleum, and possessed the third largest oil reserves which were mainly managed by the British government and

⁶ For short biographical details of leading individuals mentioned in the paper, see appendix 1.

⁷ Churchill, foreword in Longhurst *Adventure in Oil*, 6.

⁸ Chandler, *Scale and Scope*, 300 ; Millward, *Business and the State*, 543.

British private citizens⁹. Moreover, AIOC 'was so dominant within the Iranian economy that it was effectively a state within a state and regarded to all intents and purposes as an arm of the British Admiralty and the British Strategic policy'¹⁰. It was disclosed in the *Times* that the company considers its operation to be vital to Persia's well being as to its own¹¹.

Although dealings with the Shah had been problematic for the AIOC, after the Second World War, nationalism and democracy had become new features of the Iranian political landscape. At the top of the agenda for nationalist politicians was the renegotiation of previous concessions made by the Shah on better terms for Iran. As a consequence, an important part of the political process between AIOC and Iranian representatives were Iranian requests for increased investments in welfare benefits, such as health, housing and education, and increasing employment opportunities for Iranians at the expense of foreign employees (referred to as Iranianisation and agreed under the General Plan of 1936). A new phase of negotiations was opened by the Iranian Parliament (Majlis) on 22nd October 1947 with the Single Article law, which was a revision of Article (16) of the 1933 agreement to increase investments in welfare benefits, such as health, housing, education, thereby increasing Iranianisation. The Iranian government used Article (16) to attempt to improve the Iranian position. Article 16 (iii) discussed Iranianisation and increasing employment opportunities for Iranians at the

⁹ Abrahamian, *The 1953 coup in Iran*. By 1950 the AIOC's Abadan refinery was the world's largest and Iran was the leading oil producer in the Middle East; Onslow, *Battlelines for Suez*.

¹⁰ Cited in Marsh, *Anglo-American Crude Diplomacy*, 28.

¹¹ *The Times*, May 2nd, 1951, 6(A), Issue 51990.

expense of foreign employees with the aim that all posts in Iran except very top management ones should be held by Iranians. The Article reads as follows:

“The parties declare themselves in agreement to study and prepare a general plan of yearly and progressive reduction of the non-Persian employees with a view to replacing them in the shortest possible time and progressively by Persian nationals”¹².

In July 1949 the Supplemental Oil Agreement (SOA), subject to the approval of the Majlis, was signed by an AIOC representative and the Iranian Minister of Finance but was never ratified due to Iranian opposition. Disputes continued over the division of oil revenues and the extent of Iranianisation. Iranian people wanted the AIOC to adopt the same attitude to Iran as the other oil companies in the world did towards nations which had granted them concessions¹³.

Their claims were captured from the Iranian Press, ITTILA’AT, as follows;

“In spite of our rich underground resources and our vast wealth on land and in the sea, we are doomed to be poor. In case any other people possessed one-tenth of our advantages, it would have made their country a paradise. But unfortunately the Iranian people, who own all this vast wealth, suffer hunger and nakedness. Our negligible share of the oil profits serves to meet unnecessary expenditure and to satisfy certain influential people instead of being used for the public welfare”¹⁴.

¹² BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 36.

¹³ BP 071181, ITTILA’AT Press extracts No. 798 on 6th September 1948, 1.

¹⁴ *Ibid.*

These difficulties were the precursor to the bill approving nationalization of the company's holdings of May 1951¹⁵. It was hardly surprising that the unfair treatment and injustice against the Iranian employees was a major force behind the nationalization of the company's assets in 1951¹⁶. The promulgation of the 'Nine Point Law' for oil nationalization by His Imperial Majesty the Shah on 1st May 1951 represented the culmination of a rising tide of nationalism that overwhelmed the efforts of the AIOC to negotiate a new concession. The preceding four years witnessed a series of failed proposals on the one hand, and a succession of Iranian governments and institutional changes on the other, reflecting the increasing influence of political organisations opposed to the AIOC.

Iranianisation: claims and counter claims

Different phases and aspects of the dispute have been researched extensively, including Anglo-American relations, British and American foreign policies, international law, covert operations, Iranian nationalism, the development of the Iranian oil industry, and the impact on international oil companies, including the AIOC¹⁷. Iranianisation, alleged

¹⁵ Mansoor, *State-Centered vs. Class-Centered Perspectives*.

¹⁶ Elm, *Oil, Power and Principle*, 81.

¹⁷ For Anglo-American relations see Marsh, *Anglo-American Relations and Cold War Oil*. For American and British foreign policies see Gasiorowski, *US Foreign Policy and the shah*; Engler, *the Politics of oil*; Stern, *Who won the Oil wars*. Louis, *the British empire in the Middle East*. For covert operations see Gasiorowski, and Bryne, eds. *Mohammad Mosaddeq*; Marsh, *The US, Iran and Operation Ajax: 1-38*; Roosevelt, *Countercoup*. For the impact on Iran see Bill and Louis, eds. *Musaddiq*; Elm, *Oil, Power, and Principle*. For the company perspective, see Bamberg, *The History of the British Petroleum Company*;

anti-Iranian discrimination in the AIOC's employment strategy, and the AIOC's attitude to CSR, have received less attention, and the evidence surrounding them is far from conclusive.

It is clear that the AIOC at least to some extent engaged with its social responsibilities under the terms of the 1933 Agreement. After the 1945 the Company recognised the housing problems in Abadan and embarked upon an emergency accommodation program. An ILO observer commented in 1950 that one 'cannot fail to be impressed by the vast number of modern houses and amenities which the Company has been able to provide in such a short space of time and in spite of exceptionally unfavorable circumstances'¹⁸. Hospital and healthcare spending attracted similarly favorable comment¹⁹. The AIOC also made investments in education, for example endowing Tehran University, supporting technical institutes and schools, and provided extensive educational and training schemes²⁰. Writing in 1949, AIOC Chairman, Sir William Fraser commented that 2038 houses and 79 ancillary buildings such as canteens, schools, medical clinics, shops, clubs, etc were completed during the year at a cost of nearly £6m. He also pointed out that there were now 2000 students on various categories of training schemes, including 84 in Britain²¹. Addressing the differential wage issue, Fraser commented 'it is noteworthy that Iranians received the same pay as British staff in

¹⁸ Bamberg, *The History of the British Petroleum Company*, 374.

¹⁹ *Ibid*, 375.

²⁰ *Ibid*, 361-3.

²¹ AIOC, *Annual Report and Accounts*, 1948, 19.

similar posts'²². These contrasting propositions can be examined with reference to the comparative earnings data shown in table 1.

Table 1: Comparative earnings

	£	£	
	Year	Year	Change
Average annual wages and salaries	1945	1949	
a) All Iranian labour	76	314	3.13
b) All British labour	980	2140	1.18
<i>a as a percentage of b</i>	<i>7.76</i>	<i>14.67</i>	
c) non-graded Iranian staff	290	838	1.89
d) graded Iranian staff	604	1910	2.16
<i>c as a percentage of b</i>	<i>29.59</i>	<i>39.16</i>	
<i>d as a percentage of b</i>	<i>61.63</i>	<i>89.25</i>	

Source: Adapted from Bamberg, *The History of the British Petroleum Company*, table 14.4, 357.

As table 1 shows, the remuneration of the AIOC's Iranian employees increased substantially after 1945. However, evidence from non-company sources suggests a different picture. According to a contemporary source, Iranian representation was in decline. The number of non-Iranian staff had risen by 1945 to over 4,000 out of a total of 42,000, a ratio of 10 percent compared to 7 percent in 1938. Meanwhile, non-Iranian salaried employees had risen from 1,744 to 2,478 between 1939 and 1945 whereas Iranian salaried employees had actually fallen from 1,496 to 1,479. Additionally, in the artisan grade, the figures were 979 and 1,552 for the non-Iranians, and 6,516 and 6,254 for the Iranians²³. So although Iranian employees, if the company's official history is

²² AIOC, *Annual Report and Accounts*, 1950, 22.

²³ Elwell-Sutton, *Persian Oil, A study in power politics*, 92.

believed, were better paid than they had been, their relative position in numerical terms deteriorated. Inequality within the Iranian workforce also increased during the period, and whilst lending credence to Fraser's claim of parity on a grade by grade basis, it is also suggestive that the cases he cites were in a minority. The company's staff manager in Iran, speaking in 1947 suggested that 'there is more joy in Iran over the appointment of one Iranian chemist/ engineer/ accountant/ doctor/ labour officer than there is over the appointment of 100 Iranian artisans or 1000 Iranian cooks'²⁴. Even so, it is clear that for many better educated Iranians, the incentives offered by the AIOC employment package were insufficient to entice them away from more congenial vocations in Tehran²⁵.

There is also considerable evidence that the AIOC treated most of its Iranian employees badly. Kinzer accuses the company of taking an excessive share of the profits and investing little under the terms of the 1933 agreement to improve pay and social provision. A fifty-page memorandum was issued by Iranian experts to discuss specified points with the AIOC²⁶. The memorandum made a number of essential points suggesting that the AIOC had not improved the working conditions of the Iranian work force and that they remained almost exclusively in unskilled jobs. In May 1951, Mr. Kazem Hassibi (Under-Secretary of the Finance Ministry) made a strong attack on the living conditions provided by the company for Iranian employees at Abadan declaring that '20,000 workers were living in holes in the ground and even 10,000 for whom the company had

²⁴ Bamberg, *The History of the British Petroleum Company*, 360.

²⁵ *Ibid*, 366.

²⁶ BP 101099, Mr. Addison's Persian file, Memorandum, 1946- 1949.

provided houses, lived surrounded by open gutters in which sewage, and drinking water mingled²⁷. An Israeli employee of the AIOC wrote that 60,000 skilled and unskilled workers had no living quarters²⁸. Citing Manucher, Farmanfarmiain, the director of Iran's petroleum institute from 1949, Kinzer offers evidence of low wages (50 cents a day) and slum conditions in Abadan for Iranians²⁹. Antipathy toward the AIOC grew gradually among the Iranians because the company's Iranian workers hardly shared the benefits of improved wages and the luxurious European-style housing of the British staff³⁰. The company presented its British staff as superior to the Iranians right from the start of their employment³¹. The company was seen as a typical colonial power, appointing and removing governors, mayors, police heads and Majlis deputies. It failed to address many of Iran's other complaints, for instance that it burned natural gas instead of piping it for local consumption, and that in general it considered Iran as its own town where clubs and stores discriminated against the natives³². Even if it were true that higher ranking Iranians were paid the same as their British equivalents, their views were not necessarily respected. Mostafa Fateh, Northcroft's³³ assistant in Tehran, provided the AIOC board

²⁷ *Manchester Guardian*; May 28, 1951, 5.

²⁸ Elm, *Oil, Power and Principle*, 103.

²⁹ Kinzer, *All the Shah's Men*, 67-68.

³⁰ Brumberg D. and Ahram A. I., *The National Iranian Oil Company*.

³¹ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 129.

³² Abrahamian, *The 1953 coup in Iran*.

³³ Ernest G. Northcroft (1896-1976), the AIOC's Chief Representative in Tehran, 1945-51

with an eloquent and detailed advisory memorandum on how to engage constructively with Iranian national aspirations. The British diplomatic response was dismissive, stating that Fateh ‘was not to be trusted’³⁴. British staff in Tehran were of the opinion that without them, ‘no one would be able to run the central heating in the AIOC’s offices’³⁵. The Israeli correspondent referred to above paraphrased the typical response to suggestions that Iranians be treated differently: ‘We English have had hundreds of years of experience on how to treat the Natives’³⁶. It was hardly surprising that the company’s labour force became heavily involved in the nationalization movement³⁷. At the same time, AIOC was unwilling to let Iranians hold technical jobs for fear that they might learn to operate the oil industry themselves. Although as table 1 shows, the trend in wages had been upwards, on 20th March 1951, the AIOC imposed immediate reductions in wages, travel and accommodation allowances on the grounds that rents and prices had fallen. As a result, by 1st April 45,000 employees were on strike, martial law was imposed, and in a highly charged atmosphere, three Europeans (AIOC employees) were lynched as the strike spread to other sectors³⁸. Although this is perhaps to be expected, the timing of the company’s imposition of wage cuts is nonetheless interesting, coming within five days of the approval of Mussadiq’s bill for nationalization in the Majlis and only two weeks after

³⁴ Kinzer, *All the Shah’s Men*, 77.

³⁵ Elm, *Oil, Power and Principle*. 80.

³⁶ Soleh Boneh, *Jerusalem Post*, 6th July 1951, cited in Elm, *Oil, Power and Principle*, 103.

³⁷ Elm, *Oil, Power and Principle*, 81.

³⁸ Abrahamian, *Iran Between Two Revolutions*, 368.

the assassination of Razmara. Within a week of the end of the strike on 25th April, Mussadiq had pushed through his nationalization bill.

Claims and counter claims: empirical evidence

(A) The private and public position of AIOC senior management

To examine the negotiating position of the AIOC, the private and public views of its senior management can be usefully examined. This section concentrates on documents in which Fraser expresses views on the crisis, first in private and then with reference to his published statements in the company's annual report.

In private, Fraser took a measured view of the parameters of the negotiating position. On the one hand he thought that any attempt to revise Article (16) too much in favor of the company would fail and would “produce acrimonious discussions on the question of equality of treatment [of] Iranian and non-Iranian employees”³⁹. Prior to Article (16), the AIOC's Iranianisation strategy was acknowledged to be lower risk and to underpin long term engagement when compared to that of other firms that did business with Iran on a more arms' length basis⁴⁰. On the other hand, Fraser also feared loss of profits if Iranian claims were satisfied⁴¹.

His overriding concern was with the question of control, and this proved to be the point on which no compromise could be countenanced. Fraser's main problem with

³⁹ BP 101099, AIOC opinion on 20th June 1948, 15.

⁴⁰ Andersen, *Building for the Shah*.

⁴¹ BP 101099, AIOC opinion on 20th June 1948, 15.

Article (16) was the Iranian demand for specific targets to shift staff numbers and control in favor of the Iranians.⁴² His irritation and his unwillingness to implement Article (16) on this point were reflected in his correspondence:

“...if any such percentages were acceptable they would clearly have to be applicable to the number of non-Persian staff at the beginning of each period in question, and not through out the periods to the number of non-Persian staff originally serving. Furthermore, the higher one got in the graded employees the more difficult would it be to find efficient substitutes and if the principle even more acceptable common sense would call for a reduction in annual percentages, after some initial rise as a result of putting individuals through a course of training- which might or might not produce efficient men not merely failed B.A.’s”⁴³.

As this quotation suggests, Fraser was clearly concerned by the provision for progressive reduction of non-Iranian employees only for the period under question and not through out a long period of time. It is also clear that he lacked confidence in the potential of education and training. He was never prepared to engage Iranian employees in skilled and first class jobs because of his negative attitude towards them, even if they were well educated and trained. He argued that the company:

“Should at any time be prepared to engage only a very few Iranians in the company’s service. Courses of training, examinations passed, academic distinctions, are all very well, but they are not ends in themselves and are of use only so far as they produce a properly equipped man. That is one of the things which I [Fraser] fear have yet to be learned by some of the

⁴² *Ibid.*

⁴³ BP 070268, Fraser to Jacks on 16 November 1933, 5.

nations who attach an excessive importance to education”⁴⁴.

Among Fraser’s tactical excuses for not engaging the Iranians was his view that book learning or manual training would not help the Iranians possess a sense of duty and responsibility⁴⁵. In other areas, Fraser was more willing to compromise. For example, he claimed that the “programme in the housing and amenity sphere was not a concessional obligation. We [company] undertook it willingly and with pride as an industrialist’s contribution to the oil industry of Iran”⁴⁶. From this evidence it is clear that in private, Fraser’s chief concern about the Iranianisation process was the redistribution of power implicit in the projected changes in staff composition.

It is interesting to contrast Fraser’s private priorities with those publicly disclosed as communications to his shareholders. To what extent then did Fraser use his public statement in the Annual Report as a piece of propaganda to portray AIOC in a fair and reasonable light and to maintain the confidence among the key AIOC stakeholder groups including Iranian employees? His comments on the issues raised by Article (16) were elusive. For Iran, he stated, the AIOC “serves as a major national asset and fruitful source of revenue and employment,” which “carried out a vast expansion of the social services for its tens of thousands of employees in Iran”⁴⁷. In 1951, he disclosed in his statement

⁴⁴ BP 070268, Fraser to Jacks on 16 November 1933, 1.

⁴⁵ *Ibid*, 3.

⁴⁶ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 35.

⁴⁷ AIOC, *Annual Report and Accounts*, 1950, 12. The publication of the 1950 report was delayed until November 1951 by the nationalization crisis. In all cases the annual report

more information than in previous years about the improvement in amenities and working conditions to the Iranian employees. For example, he emphasized that the “the Company's policy has always been to encourage the spirit of amity and partnership between members of the British and Iranian staff” and signalled that the company’s strategy was to provide housing, leave and pension benefits, medical care and hospitalisation, club life and amenities to all employees irrespective of nationality⁴⁸.

As Chairman, Fraser came under pressure from the British government during the nationalization crisis, and his public statements reflected this. Ernest Bevin, the Foreign Secretary, advised Fraser that the company’s policy was not progressive and that they “should go out of their way to improve pay conditions”⁴⁹ and “establish every possible relationship with the people in order to develop confidence between them and the company”⁵⁰. Fraser gave greater priority to maintaining shareholder confidence, particularly following the nationalization crisis. He used the British press to promote shareholder confidence, suggesting in the *Times* that the results for 1951 reflect the “great prosperity in the oil industry and ... full operation of the Persian properties”⁵¹. Furthermore, he stressed in his 1951 statement more than in the past his willingness to maintain good relationships with the Iranians and show them that the company did not

is referred to in the narrative by calendar year of publication rather than accounting fiscal year, which fell one year earlier.

⁴⁸ *Ibid*, 22.

⁴⁹ FO371/52735, Minute by Bevin, July 20, 1946.

⁵⁰ *Ibid*.

⁵¹ *The Times*, November 28, 1951, 9(C), Issue 52170.

discriminate between the British and Iranian employees. For instance, he asserted in 1951 that ‘I [Fraser] wish to pay tribute to the many Iranians, some occupying very senior posts, who have given long, loyal and devoted service to the company and, I feel, also, their country’⁵². Moreover, he disclosed in his statement to the employees, “Iranians received the same pay as British Staff in similar posts”⁵³. Here Fraser equates the interests of the AIOC with the interests of Iran, although as documented in the review of evidence above, the Iranians’ sense of injustice and inferiority of the Iranians stimulated the rise of nationalization and antagonism to the AIOC. It is relevant to note that there was no information disclosed in the previous year (1949 annual report) about the treatment and payment to Iranians to justify his strategy of defending the company’s existence and operations in Iran.

Notwithstanding these pressures and Fraser’s attempts to show a positive public attitude to the Iranians, certain prejudices are apparent below the surface. British employees entered into “staff” status straight away whilst the company whilst Iranians were described merely as “employees”. For example, Fraser mentioned in 1950 annual report ‘...tens of thousands of employees in Iran,’ ‘strikes occurred among our Iranian employees’ and ‘...three members of our British staff were killed’⁵⁴. Obviously, the AIOC had the tendency towards the invisibility on the part of the Iranians⁵⁵.

⁵² AIOC, *Annual Report and Accounts*, 1950, 22.

⁵³ *Ibid.*

⁵⁴ *Ibid.*, 12, 28.

⁵⁵ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 70.

Table 2: Key word counts in AIOC Annual Reports

Keyword	Pre-nationalization 1950	Post-nationalization 1951
Staff	†	11
Employees	4	†
Personnel	4	†
Iran/Iranian	11	124
Company/Company's	10	95
Nationalization	†	10

Sources: AIOC *Annual Reports and Accounts*, 1949 and 1950, Statement to Stockholders by the Chairman, 11-19 and 9-30 respectively.

Notes:

Counts performed using Diction software⁵⁶.

† counts of <3 are ignored by the Diction software. Nouns only.

Table 2 contrasts counts of keywords for the annual reports published in 1950 and 1951 which makes it possible to contrast Fraser's use of different groups of words and vocabulary that are particularly relevant to an understanding of AIOC's self-presentation. Fraser's chief concern in this document was maintaining the confidence of his shareholders. He increased references to the company's achievements in 1951. The word "**company/company's**" was mentioned 95 times after nationalization (1951) compared to 10 times in (1950), which evidences Fraser's concern with the presentation of the company and its interests to shareholders.

On the surface, Fraser's was also concerned for his Iranian employees. He referred to "**Iran/Iranian**" 124 times in 1951 compared to 11 times in 1950. As the specific word counts illustrate, it is clear that Fraser referred to all the workers including the Iranians as "staff" in 1951, not the case in previous years when they were described

⁵⁶ Hart, *Diction 5.0: The Text-analysis Program that analyses rhetoric and was used in this research as a computerized content analysis approach.*

as “employees” or “personnel” as illustrated in 1950. Here the difference between the treatment of British and Iranians highlights and provides an effective link between nationality and discrimination. It was rare for the Iranians to be referred to as “staff” because they typically do not appear in staff records⁵⁷. Fraser’s official position was to support Iranianisation, but the subtleties of his language even in an official document, the Annual Report, suggest that Fraser and his close advisors had their attitudes colored by anti-Iranian discrimination.

Even though the delayed 1951 report was a carefully worded document, it is clear from this analysis that Iranian and British staff were regarded as different. Undertones of colonial attitudes in these public documents show up all the more strongly the underlying resistance to Iranian involvement in the management of the company revealed by Fraser’s private correspondence. Social responsibility disclosures, meanwhile, on subjects such as health and housing, were easy to make where imprecisely quantified.

(B) AIOC’s employment strategy

There is considerable evidence from private correspondence that the AIOC senior management continued to reflect colonial attitudes towards Iranian staff, at least in private. For example, Jameson, general manager of production, commented “A native is always a native, however good”⁵⁸. Meanwhile, the company avoided engaging British

⁵⁷ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 70. As Johnson suggests, “it is the very absence of evidence that is itself evidence of the lack of importance accorded to these workers”, 70.

⁵⁸ BP 66815, Jameson to Robert [his brother], 7th June 1916, 2. Jameson was production manager from 1924, and a Director from 1939-1952; Longrigg, *Oil in the Middle East* and Johnson, *British multinationals, culture and empire in the early Twentieth century*.

nationals who were thought to have “gone native” and married locally because this was against the company’s interest to employ them⁵⁹. Notwithstanding these exclusions, the labor force was divided into three classes where the First Class comprised of British of whatever grade; the Second class included the technical men and salaried office workers with the few Iranians who had their education in Britain, whereas the Third class included the artisans, skilled and unskilled labor, who were purely Iranians. These class divisions also applied to housing, access to health care and other aspects of the community. Article (16) clearly signaled Iranian resentment of their imprisonment to lower levels of the company and the criticism was frequently heard, sometimes in violent terms, that individual Iranians who had worked with Britishers had met with discourteous and unjust treatment from them⁶⁰.

AIOC also used technical justifications for the exclusion of Iranians. The AIOC was genuinely concerned by the need for a high degree of proficiency and skill in the workforce⁶¹. There were associated obstacles that prevented more Iranians being employed. It was argued for example that if the company had an obligation to train the Iranians then the Iranian government had an equal commitment to educating the Iranians to a level which would enable them to absorb subsequent training by the company. Jacks, the Director of AIOC in Iran before World War Two, reflected attitudes which persisted as obstacles to Iranianisation, which included reluctance to invest in staff training⁶².

⁵⁹ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 88.

⁶⁰ BP 126349, Reference No. 522, Northcroft to Rice on 12th December 1950, 6.

⁶¹ BP 101099, Mr. Addison’s Persian file, Memorandum, 1946- 1949.

⁶² Jacks pointed out the “heavy wastage which must be expected from any training scheme evolved by the company”, BP 52887, Jacks to Fraser, 15th December 1933, 3.

Although a technical problem, careful diplomacy was nonetheless required. Northcroft was aware of the importance of training to the Iranians and suggested that in view of the Iranian allegations made in the Majlis against the company's training policy, offering to spend a little more under the heading of training might be "be a very useful weapon in our [AIOC] armoury"⁶³. Elkington, the general manager in Persia, asserted:

"Our plan of education has got to start very high up the tree, and our friends in Persian circles must be taught that the company has not reached its present stage of development on any grounds which I term purely theoretical, such as those of nationality, but of the practical efficiency of the individuals forming every cog in a great machine, and not least the spindles at the centre of each cog-wheel"⁶⁴

Above all, training Iranian staff as part of the Iranianisation process presented a threat to AIOC control and was resisted for that reason. Jacks declared that the company would never agree to have its administration other than British and the Iranian government should never expect that it should⁶⁵. Similarly, the AIOC resisted reductions in the numbers of British staff. Gass argued that the company should stick to the previous formula of a reduction in the proportion between foreigners and total skilled workers. But after a careful survey of the expected results of the training schemes came to full fruition over the next 7 to 10 years, the General management were satisfied that they could make

⁶³ BP 126347, Reference number 425, Northcroft to Rice, 19th October 1950, 3.

⁶⁴ BP 070268, Fraser to Jacks on 16 November 1933. A contemporary observer in 1955 suggested that access to education depended on the class of worker, with only a few Iranians having access to the highest grade and British education (Elwell-Sutton, *Persian Oil*, p.93).

⁶⁵ BP 52887, Jacks to Fraser, 15th December 1933, 4; Johnson, *British multinationals, culture and empire in the early Twentieth century*.

a concession to the government's point of view, and reduce their non-graded or artisan categories to a definite figure and this concession had been offered at the earlier talks⁶⁶. The evidence would seem to support Elm's view, that notwithstanding the economic and military importance of Iran, British politicians and the senior management of AIOC displayed complacency and colonial arrogance⁶⁷.

(C) Housing and health care

At the time of the Article (16) negotiations, the AIOC had a poor track record of housing provision for employees. Since 1933, the company had provided houses and amenities only to British staff and Iranians married to British⁶⁸. The company was keen on providing the British employees with luxurious facilities for the sake of "British Prestige" which reinforced superiority and excluded the locals. British authorities believed that they were "English and they have had hundreds of years of experience on how to treat the Natives"⁶⁹. Different housing and social facilities were provided according to the grade and class of the employee. Jameson made it clear and asserted that the company's original policy was not to provide the Iranians a high standard of living and therefore decided to build them accommodation in another section of the area⁷⁰. Meanwhile,

⁶⁶ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 35.

⁶⁷ Elm, *Oil Power and Principle*, Heiss, *Empire and Nationhood*.

⁶⁸ BP 067627, Report on a visit to Tehran in 1938, 51.

⁶⁹ Soleh Boneh, *Jerusalem Post*, July 6, 1951, cited in Elm, *Oil, Power and Principle*, 103.

⁷⁰ BP 68067, Jameson to Fraser, 6 March 1938, 5.

Elkington suggested that it was preferable to have the minority of the employees in Bawarda area and Dr. Jamieson requested to separate the British staff from the Iranians because “he did not consider Bawarda [as] an ideal position for a European residential area”⁷¹.

Housing for the British was clearly luxurious and outstandingly superior to that provided for the Iranians. Discrimination in this respect was a consequence of Iranians not being promoted above a certain level, as housing was based on the employee position and rank. Accommodation provided to the British staff included fully-furnished houses with air conditioning, W.C. and a pantry⁷². For instance, Elkington suggested that the manager’s house must have 4 bedrooms in order to accommodate passers-through⁷³. Writing to a family relative, Jameson commented about the amenability of life in Iran, referring to his luxurious housing, drinks and concert events and the comparable lack of expense⁷⁴.

In contrast, housing and social facilities provided to the Iranian employees were insufficient. Accommodation for the clerical staff and the highest grade of artisan was not a big problem because they could get a room in a reasonable time but a skilled worker on the lowest grade might have to wait for thirty years. Nevertheless, it should be noted that the third class employees were scattered through the fields and didn’t enjoy living in the

⁷¹ BP 67590, Notes of meetings held at Abadan, 22nd February 1934, 151.

⁷² *Ibid*, 155.

⁷³ *Ibid*, 153.

⁷⁴ BP 66815, Jameson to father, 24th October 1917, 5.

company houses⁷⁵. For instance, the company has built houses which were called “coolie lines” for the unskilled Iranian workers⁷⁶. Iranian employees were forced to live in segregated houses in a single room “approximately twelve cubic meters in volume, say six feet by seven by eight feet high”⁷⁷. H.E. Hajir, the Minister of Finance, drew comparisons with housing and other developments in Arabia and suggested that AIOC were laggards and referred to the essential need for the company to make some gesture outside the concession to satisfy the hopes and inspirations of Iran⁷⁸. Moreover, Mr. Kazem Hassibi (Under-Secretary of the Finance Ministry) made a strong attack in *The Manchester Guardian* on the slum conditions provided by the company for the Iranian employees at Abadan⁷⁹. Furthermore, an Israeli employee who worked for the AIOC in Abadan since 1944 explained the dreadful situation facing the Iranians and asserted that the Iranian workers lived during the seven hot months of the year under the trees and they moved into big halls built by the company during the winter where each family occupied the space of the blanket⁸⁰.

⁷⁵ BP 49673, Report by J. M. Wilson on certain aspects of the company’s building proposals in Persia, 3rd April 1934, 14.

⁷⁶ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 131.

⁷⁷ Elwell-Sutton, *Persian Oil, A study in power politics*, 89.

⁷⁸ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 4.

⁷⁹ *Manchester Guardian*; May 28, 1951, 5.

⁸⁰ Cited in Elm, *Oil, Power, and principle: Iran’s oil nationalisation and its aftermath*, 103.

Although changes had begun to accelerate in the late 1940s, the attitudes of the AIOC remained an obstacle. The company regarded itself as “British”⁸¹, exclusive and superior to the locals who were not permitted to rise up the hierarchy⁸². J.M. Wilson, the British architect in Iran, disclosed the result of his investigations for housing and affirmed that the disparity in housing presented a real barrier between Iranian and British employees serving in the company, where the standard of living left much to be desired⁸³. Moreover, Jameson was aware of the company’s discrimination towards the Iranians and declared that about 40% [accommodation in Bawarda] was occupied by European staff: putting Europeans into accommodation which has primarily been built for Iranians would liable to cause comment⁸⁴.

Recognition of the need for change was also a feature of the AIOC’s policy towards health care in the late 1940s, and again there were some serious obstacles from embedded attitudes. The total number of hospital beds provided by AIOC was 590 for a population of 180,000 which shows that many people were not entitled to medical treatment at all. Moreover, there was a “staff” hospital for the Europeans and clerks and a

⁸¹ When the AIOC was compared with other firms in Iran, it was found that the others used to provide good houses with similar standards as they operate in the city and town areas Elwell-Sutton, *Persian Oil, A study in power politics*, 96.

⁸² As a consequence, antagonism towards the AIOC grew among the Iranians because the Iranian employees didn’t enjoy the extraordinary European-style housing of the British staff and were accommodated in a less spacious accommodation and had to be able to adapt to their own typical weather. Johnson, *British multinationals, culture and empire in the early Twentieth century*, 94. Brumberg and Ahram, *The National Iranian Oil Company in Iranian Politics*.

⁸³ BP 49673, Report by J. M. Wilson on certain aspects of the company’s building proposals in Persia, 3rd April 1934, 1.

⁸⁴ BP 68067, Jameson to Fraser, 6 March 1938, 4.

Native hospital for the other “employees”⁸⁵. Consequently, Iranian doctors didn’t have the chance to benefit from the experience of British doctors whose duty was principally curing the British staff. Iranian doctors therefore preferred to work in other parts of the country even for less reward⁸⁶. Additionally, it is crucial to note that there were neither maternity hospitals nor even a midwife in smaller areas for the Iranian women expecting to deliver. As far as medical staff were concerned, the company’s prejudice was evident. There were separate wards for British and Iranians⁸⁷. British wards had only 4 beds to accommodate few patients whereas the wards for the natives used to have 22 beds on average⁸⁸. Meanwhile, the British wards had their own bathrooms, water closets and all equipments were kept separate so that no equipment from the British wards could be used in the other wards because the company preferred to isolate its British staff from the Iranians⁸⁹. The discrimination is well captured from Idelson’s attitude when he explained the AIOC’s policy towards Iranian medical staff in the following terms:

“The obligations of the company to reduce its non-Iranian staff do not extend to the replacement of its medical and administrative staff. I still adhere to that view but regard it necessary not to express it in the general plan so as to avoid at this stage a controversy with the government”⁹⁰.

⁸⁵ BP 62398, Medical services, 6th March 1924.

⁸⁶ Elwell-Sutton, *Persian Oil, A study in power politics*, 97.

⁸⁷ BP 62398, Medical services, 6th March 1924.

⁸⁸ BP 37074, fields medical and health services, 21st April 1927, 13; Johnson, *British multinationals, culture and empire in the early Twentieth century*.

⁸⁹ *Ibid.*

⁹⁰ BP 101099, opinion on general plan 20th February 1948, 4.

Some of the evidence above reflects embedded attitudes towards the Iranians, but unlike the question of control and the employment strategy, housing was an issue upon which the AIOC was more willing to compromise. Even Jameson suggested that he was unhappy with the accommodation provided to the artisans and said:

“I am disappointed with the progress in the artisan lines, and will see what can be done to accelerate building”⁹¹.

Elkington, the general manager of AIOC in Iran, was aware of the slow progress and inadequacy of housing provided by the company and he declared that the housing schemes initiated in 1934 were proving inadequate and their progress too slow to cope with the situation. He suggested that the company’s housing schemes must be increased if this feature in the social conditions of employees were to be ameliorated⁹². Meanwhile, Elkington highlighted in his correspondence to the company representatives in Britain that the disparity of treatment afforded by the company to its Iranian employees became more evident in housing and it was necessary that management take early steps to correct the position or alternatively some form of compensation granted in lieu⁹³. He admitted that the company organized and conducted its operations without much thought to Iranian ideals and customs, and based everything on its own usage and standpoint⁹⁴.

⁹¹ BP 68067, Jameson to Fraser, 6 March 1938, 5.

⁹² BP 067627, Report on a visit to Tehran in 1938, 59.

⁹³ *Ibid*, 61.

⁹⁴ BP 59011, Elkington to Medlicott, 11th July 1929; Johnson, *British multinationals, culture and empire in the early Twentieth century*.

These attitudes undoubtedly fueled Iranian nationalism, and the AIOC staff were clearly motivated to resist change, either to protect privilege or as a result of embedded colonial attitudes to the Iranians. In these respects the evidence is consistent with the wider literature⁹⁵. However there is also evidence that housing and health care were aspects of CSR on which AIOC was willing to compromise. Most importantly, the contrast between the attitude of its senior management and negotiators on these questions and the crucial question of the numerical composition of the workforce can already be seen if this evidence is reviewed in conjunction with Fraser's private views. As will be demonstrated in the next section, these contrasts were important to the AIOC's negotiating position on Article (16), and contributed to ultimate failure and nationalization.

(D) Negotiating Article 16

There were a number of important elements of the Iranian government's negotiating position following the promulgation of Article (16). It argued that the employment of non-Iranians entailed heavy costs of expatriation, passage, etc. which are not incurred in the case of Iranians. It aimed to reduce the number of non-Iranians by an increasing figure each year and gave an example with illustrative figures to show a reduction of 150 the first year, 200 the second and 50 more each subsequent year⁹⁶. Furthermore, H. E. Golshayan, the Minister of Finance, acting as a government representative, made it clear that the principal question for the Iranian government was a transparent ratio as the matter must be judged by results and the concession provided for a yearly and

⁹⁵ Johnson, *British multinationals, culture and empire in the early Twentieth century*, 114.

⁹⁶ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 36.

progressive reduction of non-Iranian personnel⁹⁷. Ali Zarrinkafsh, the Iranian government's representative or Imperial Delegate to the AIOC (1933-39) explained that Article (16) could not be interpreted piecemeal, highlighting efficiency and economy in the administration and operation of the company in Iran as a major factor not only to the Article but to the entire concession. Therefore, he suggested that the company should prepare a general plan and submit it to him after completion. Zarrinkafsh stated that: It would seem necessary that the plan should give figures to indicate the extent of annual and progressive reduction of non-Iranian employees⁹⁸. Zarrinkafsh advised Jacks to be cognisant of public opinion and reveal that full effect of the terms in order to minimise subsequent public criticism⁹⁹.

The negotiations over Article (16) reveal Iranian consciousness of national independence and their tendency to react to any threat that their national interests and rights were being impaired. Consequently, Razmara studied the position in Iran with all the diligence it demanded and was left with no doubt whatever that an improvement in social and economic conditions throughout the country was needed to save Iran from utter disintegration¹⁰⁰. Razmara advised Northcroft that “certain changes in the Supplemental Agreement would be necessary if it were to be ratified by the Majlis

⁹⁷ BP 126422, Note of second meeting of the understanding committee on 3rd May 1949, 10.

⁹⁸ BP 52887, Jacks to Fraser, 15th December 1933, 2.

⁹⁹ *Ibid*, 3.

¹⁰⁰ BP 126347, Reference number 318, Northcroft to Rice, 29th July 1950.

(increased Iranianisation)”¹⁰¹. He was extremely concerned and distressed about the current situation in Iran because of the large numbers of workless persons on Tehran. He had studied the general plan and his view was that “by the end of the ten years, all posts in Iran except very top management ones, should be held by Persians”¹⁰². Meanwhile, his plan was to receive “at least fifty-five millions sterling to put his projects in hand in such a manner as to insure full employment and stable contentment throughout the country”¹⁰³. Razmara believed that once the supplemental agreement was ratified, he would implement his programme within six months and the country would solidly be behind the government¹⁰⁴.

From the AIOC point of view, there was an awareness of Iranian rights and the importance of Article (16) to the Iranians. Jameson mentioned in his report in a visit to Tehran that “Iranianisation is so important to the company that everything possible should be done to make the policy fully effective”¹⁰⁵. Privately, in his correspondence to Fraser, Jacks argued that “the company would agree to no interpretation of annual and progressive reduction”¹⁰⁶. Northcroft was completely aware that the general plan would be unlikely to come into effect and highlighted that if Britain had to base their “activities

¹⁰¹ BP 126347, letter 307, Tehran correspondence regarding position of Iranian government and Supplemental Agreement, 16th July 1950.

¹⁰² BP 126347, Reference number 318, Northcroft to Rice, 29th July 1950, 5.

¹⁰³ *Ibid*, 3.

¹⁰⁴ *Ibid*, 6.

¹⁰⁵ BP 67627, Jameson, Report on a visit to Iran, 1938; Johnson, *British multinationals, culture and empire in the early Twentieth century*.

¹⁰⁶ BP 52887, Jacks to Fraser, 15th December 1933, 2.

on Persian manpower to the degree which he [Razmara] envisaged, we [Britain] should be driven out of business”¹⁰⁷. This evidence reveals important differences between publicly declared policies and the private views of AIOC executives.

Changes in staffing ratios, including reductions of British staff, were a matter of serious concern to the AIOC management. Documentary evidence shows that they had no intention of conceding this point¹⁰⁸. Gass, the AIOC negotiator, had hoped to obtain agreement with the Iranian government to all the other provisions of the General Plan, and leave the main questions that deal with annual and progressive reduction of foreigners until the last but the Iranian government insisted on taking this clause first, with the settlement of the other clauses depending on agreement to their proposals on this one¹⁰⁹.

The problem for AIOC was that Clause 16 (iii) of the concession which called for a plan of annual and progressive reduction of foreigners was too specific to allow any ambiguity¹¹⁰. As a result the AIOC’s policy was to postpone Article (16) to safeguard themselves from any obligations that agreement would entail. Northcroft, chief representative of AIOC in Tehran, in a strictly confidential correspondence to Rice on 19th of October 1950 explicitly revealed the tricky methods that were adopted by the company for rewording the General Plan. For instance, he said:

¹⁰⁷ BP 126347, Reference number 318, Northcroft to Rice, 29th July 1950, 5. BP 101099, Memorandum.

¹⁰⁸ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 50.

¹⁰⁹ *Ibid*, 36.

¹¹⁰ *Ibid*, 34.

“I have devised a form of words which (in a suitable legally worded version) might be used in substitution of the existing preamble of the General Plan, to be read in conjunction with the remainder, as a definition of its spirit”¹¹¹.

“I enclose for your consideration a form of words which it seems to us does not alter the sense of the text as signed, and which we believe would when translated into Persian produce a text free from any possible misunderstanding”¹¹².

In similar vein, Rice asked Northcroft to convey the company’s attitudes and views without giving “the impression of unwillingness to cooperate or closing the door to further discussion of points which fall outside the limitations which [they] have stressed to the point of redundancy”¹¹³. Rice stated that they needed

“...to bridge the gap between its present form of words and our [British] position under the new General Plan (from which, I [Rice] repeat, we cannot in any way depart”¹¹⁴.

To avoid financial commitments towards the local staff, Gass, suggested that Article (16) should be amended and the words “of the salary and conditions of service applicable to, applicants’ occupation and grading” should be deleted to avoid discussions on salary scales¹¹⁵. In similar vein, Gass and other members of the AIOC tried to disabuse the minds of the Iranian government of the conception of transforming men into figures

¹¹¹ BP 126347, Reference number 425, Northcroft to Rice, 19th October 1950, 3.

¹¹² *Ibid*, 2.

¹¹³ BP 126347, Reference number 604, Rice to Northcroft, 6th October 1950, 3.

¹¹⁴ *Ibid*.

¹¹⁵ BP 070266, Gass to Elkington on 29th May 1935, 2.

claiming that it was quite impracticable and contrary to their interpretation of the concession and when projected into the future it would be impossible to forecast the trend of consumption of oil products in the world in future years¹¹⁶. Dr. Idelson (an AIOC representative) preferred to exclude all unskilled staff from the picture and adopt a ratio between the strengths of non-Iranian employees and total staff, exclusive of unskilled staff, and then diminish them in some progressively declining percentage¹¹⁷. His argument was

“If this latter basis was adopted what ultimate percentage would you regard as reasonably safe, taking into account the safeguards with which the percentages are hedged round? Reverting again to the former basis, you will notice that I have reduced the percentage to 8% and had in mind that it would be safe to go to 5% as an ultimate limit. In other words I kept 3% in hand for negotiation or for a stage subsequent to the next 10 years. I realise of course that percentages to-day are below 10% but I look upon that result as being covered by the undertaking in my plan to accelerate the rate of progress if no indeterminable factors operate to our disadvantage”¹¹⁸.

This evidence shows that the General plan was indeed merely a plan that was not intended to be used in practice to reduce the number of British staff and follow the Iranian request for an arithmetical progression of yearly reductions. Reconsidering Fraser’s public statements, it was clearly not the case that “all efforts to reach a friendly

¹¹⁶ BP 126407, Report on visit to Tehran 31st August to 26th October 1948, 37.

¹¹⁷ BP 070266, Gass to Elkington on 14th May 1935, 2.

¹¹⁸ *Ibid.*

settlement [have] proved abortive”¹¹⁹. From the above account it is also easy to see why it was in the AIOC’s interest to conclude “that no further negotiations with the present Iranian Government could produce any result, and that the negotiations, previously suspended, were to be considered broken off”¹²⁰. In his public statements, Fraser made no mention of the crucial point: that his insistence on full control of the company and its operations by incumbent British staff was the greatest obstacle to the solution of the problem.

Conclusions

The above discussion has re-considered the claims and counter claims of the AIOC and Iranian representatives in the light of Fraser’s private correspondence. There are interesting contrasts between his private views and public pronouncements and it was the former that informed the company’s negotiating position and contributed to the failure of the talks and subsequent nationalization. Fraser’s public pronouncements were part of a wider propaganda battle. The public image of the company was also a crucial ingredient of the crisis, not least because a key objective of the AIOC management was to maintain the confidence of its own investors in the face of a major threat to its asset base and the backing of the British government in the face of that threat. It might also be supposed that if the AIOC could defend itself from the claims made by the Iranian government about unfairness in the sharing of oil revenues, and discrimination against Iranians, it would also absolve itself of any blame for the international crisis.

¹¹⁹ AIOC, *Annual Report and Accounts*, 1950, 16.

¹²⁰ *Ibid*, 20.

The analysis shows that the AIOC was discriminatory towards Iranians, reflecting a negative attitude to their technical potential as well as traditional colonial stereotyping. More importantly, the AIOC resisted Iranianisation because the redistribution of employment in favour of Iranians, including posts at senior level, threatened to compromise the control of the business. It was this point that was most strenuously resisted by the AIOC negotiators. The company was more willing to compromise on other aspects that were less threatening to overall control, for example on housing and health care. These concessions were insufficient to forestall the ensuing nationalization crisis, which after all, was all about the crucial question of control of the oil fields.

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Appendix: Managing Directors & Major British Figures

Name	Vital Dates	Dates of service in AIOC / Britain	Background
Basil Rawdon Jackson	1892-1957	Managing Director, AIOC, 1948; Deputy chairman, 1950; Chairman, 1956-7.	Joined APOC, 1921. Production Department, 1921-9; APOC/AIOC representative in USA, 1929-34 and 1939-48. D'Arcy Exploration Company, 1935-9.
Edward H. O. Elkington	1890-1964	General Manager, APOC/AIOC in Iran and Iraq, 1929-37; Deputy Director, Production Department, 1946; Director, 1948-56.	Indian Army, 1910-21. Joined the APOC, 1921.
Ernest G.D Northcroft	1896-1976	Chief representative of AIOC in Tehran, 1945-51.	APOC/AIOC 1919-51.
Francis Michie Shepherd	1893-1962	British Ambassador in Iran, 1950-2.	British political representative, Finland, 1944-7. Consul-General, Netherlands East Indies; 1947-9. Ambassador, Poland, 1952-4.
George Humphrey Middleton	1910-1998	He was Chief Political Resident in the Persian Gulf Residency and Charge d'Affaires in Iran during the Abadan Crisis, 1951 and 1952.	He was a British diplomat. Foreign Office, 1943. Ambassador, Lebanon, 1956-8. Political Resident, Persian Gulf, 1958-61. Ambassador, Argentina, 1961-4; United Arab Republic, 1964-6.
Herbert Stanley Morrison	1888-1965	Lord President of the Council and Leader of the House of Commons, 1945-51. Foreign Secretary, March-October 1951.	Leader of London County Council, 1934-40. Home Secretary, 1940-5.
James Alexander Jameson	1885-1961	Deputy Director and General Manager of production, 1927-39; Director, 1939-52.	Joined APOC as engineer, 1910. General Manager in Iran, 1926-8.
John Cadman	1877-1941	Managing Director, 1923; Chairman of APOC/AIOC 1927- 41.	Assistant Inspector of Mines, Scotland. Chief Inspector of Mines, Trinidad and Tobago, 1904-8. Professor of Mining and Petroleum Technology, Birmingham University, 1908-20. Admiralty Commission to Persia, 1913-14. Petroleum Adviser to the Colonial Office, 1916. Director of the newly created petroleum executive, 1917. Chairman of the Inter-Allied Petroleum council, 1918. Imperial Policy Committee, 1918. Technical Adviser to APOC, 1921.
John Helier Le Rougetel	1894-1975	British Ambassador in Iran, 1946-50; Belgium, 1950-1.	Foreign Office, 1920. High Commissioner, South Africa, 1951-5.
Joseph Addison	1912-1994	Joined AIOC, Legal Branch of Concessions Department, 1946. Transferred to Distribution Department, 1950. Observer with Stokes mission to Tehran, August 1951.	Law graduate, 1933-6, Solicitor, 1936-6. Army, 1939-45. Manager of Persian Department, 1954. Member of AIOC delegation to Tehran for the consortium negotiations, April-September 1954. General Manager, Iranian Oil Participants Ltd, 1955-71. Awarded CBE.
L.C. Rice		Company representative in London.	Concession department and corresponds to Northcroft during Supplemental Agreement.
Neville Archibald Gass	1893-1965	Managing director, AIOC, 1939, Deputy Chairman, 1956; chairman 1957-60.	After war service joined APOC, 1919. APOC's managing agents, 1919-23 and dealing with refinery and distribution affairs. Transferred to Abadan, 1923, and became the personal assistant to Jameson, the Joint General Manager. Deputy General Manager, 1930 and joined London Head office, 1934.

Norman Richard Seddon	1911-89	AIOC's chief representative in Tehran at the time of nationalization in 1951.	Joined APOC in 1933. Assistant General Manager in Abadan, 1948. Managing Director and Deputy chairman of BP Australia, 1957-67.
Richard Rapier Stokes	1897-1957	Leader of negotiations with the Iranian Government, August 1951.	Minister of Works, 1950. Lord Privy Seal, 1951.
Robert Anthony Eden	1897-1977	Deputy Leader of Opposition, 1945-51. Foreign Secretary, 1951-5. Prime Minister, Britain, 1955-7.	British Conservative Politician. Parliamentary Private Secretary to Foreign Secretary, 1926-9. Under-Secretary, Foreign Office, 1931-3. Lord Privy Seal, 1933-5. Foreign Secretary, 1935-8. Secretary of State of War, 1940. Foreign Secretary, 1940-5.
Thomas Lavington Jacks	1884-1966	Joint General Manager, APOC, 1923-5; Resident Director in Iran, 1926-35.	Oil Assistant in Strick, Scott & Company, Muhammara, 1909-13; Assistant Manager, 1917-20.
Vladimir Robert Idelson	d.1954	AIOC Representative	PhD Berlin. International Lawyer in London, 1919-26. Called to English Bar, 1926. British subject, 1930. Took Silk, 1943.
William Knox D'Arcy	1849-1917	1909-17	Lawyer. Held principal interest in Mount Morgan Mining Co, Australia.
William Milligan Fraser	1888-1970	Deputy Chairman, 1928-41; chairman, 1941-56.	Managing director, Pumpherston Oil Co. Ltd, 1913, managing director, Scottish Oils Ltd. Director, Burmah Oil Co, 1939-55. Chairman in the USA of the wartime Inter-Allied Petroleum Conference Specifications Commission, 1918. Managing Director of APOC/AIOC, 1923-56. Chairman of the Oil Supply Advisory Committee of Ministry of Fuel and Power, 1951-2.
Winston Leonard Spencer Churchill	1874-1965	First Lord of Admiralty, 1939-40. Prime Minister, 1940-5. Leader of opposition, 1945-51. Prime Minister, 1951-5.	President, Board of Trade, 1908-10. Home secretary, 1910-11. First Lord of Admiralty, 1911-15. Secretary of State of War and Air, 1919-21. Secretary of State for the Colonies, 1921-2. Chancellor of Exchequer, 1924-9.

Sources: Compiled from Bamberg, *The History of the British Petroleum Company*, pp. 593-610.