

Economic Interests in the Middle East
Lecture No. 0002 (January 18, 1974)

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Preliminary remarks

If you are here for the first time today and are registered for the course, please raise your hand momentarily, it won't take very long... [inaudible]. Be sure in filling out those cards that you submit them at the end of the hour, you have to have those cards in order to make it onto the section roll.

Okay now, you will be happy to know that I brought a handkerchief today [laughter, applause], and I've had four lozenges, so that I should not erupt here quite as badly. I feel a little better about the whole thing—the last time was a shock, frankly, but I feel a little better about it now. I can't do anything about it, so I feel better [laughter].

Lecture

We are at the source, then, of what Henry Luce, in a very extravagant phrase, called the American Century. We are at that point of conjuncture, if you please, some thirty years ago: that point of conjuncture between the will of the United States to restructure the economy of the world and the productive capacity to make that restructuring a reality. And, you see, you have to credit American policymakers, you have to credit those most influential and those most articulate political and business leaders with a considerable lucidity in 1944 and '45: a considerable lucidity that begins to become really a kind of growing consensus of thought about what it really is that are the requirements of prosperity in American capitalism. About what it is that will really bring a certain domestic tranquility that will resolve internal social problems. And not only a lucidity, after all, about what the requirements of American capitalism are, but also something very much more important: a tremendous sensitivity to the opportunity that the Second World War really afforded. The opportunity, really to construct that "Open Door empire" for the United States which would meet precisely those requirements.

Because you see, you are dealing with an elite. You are dealing with certain business and political leaders that have two things in their minds that are terribly important. One is a very deep consciousness of the decade that has just passed. The decade that has just passed has been a Depression decade, and the economy has broken down. And for ten years, there has been stagnation. And, consequently, the idea that that stagnation should become protracted, that it should reoccur, was a frightening one. Because, you see, all through the 1930s, American leaders had persistently refused to entertain two very horrible options. One was the option, after all, of

permanent stagnation: that the United States had finally arrived at what we today call zero growth rate and that somehow the system really would gradually grind down that way. And the other option: that you could resolve the problem of the Depression by a very radical internal reform, by a kind of social restructuring which would, after all, place a tremendous burden upon the distribution of social and economic power.

And, consequently, these leaders preferred to center on one cause of the Depression as they defined it. And that cause, of course, the vanishing frontier: it was those tariff barriers that other societies had constructed, it was those kind of restricted zones like the Sterling bloc that the British Empire established at the Ottawa Conference in 1933. And worst of all, it was that kind of exclusive control over the valuable minerals and raw materials of the world that really were confined within the traditional formal empires of Great Britain and of France, of the traditional colonial powers. And all of that, after all, was deeply in the consciousness of those policy makers as they looked at the past.

And they had, secondly, a great consciousness of the problem that would come right at the end of the war, of what the postwar crisis might conceivably be; that it was imperative, after all, to be able to build and to control an ever-expanding frontier if there were not to be an overproduction in America. That, after all, the productive machine had been expanded tremendously, that it had modernized, that it had brought into the labor force a tremendous new kind of work force. And if all of that to be employed profitably, if the system really was to prosper, then there would have to be a kind of ever-expanding frontier, and all of that was perfectly clear to those who began to derive that consensus of what the postwar world really had to be.

And, you see, they defined it, in a sense, correctly. They knew, in the first place, that there was the problem of commodity surplus, and that you find in a number of sources. You find, for example, in that State Department Office of Wartime Economic Affairs, a great number of policy statements toward the end of the war; one for example by Harry Hopkins, the director of that office of the State Department of Economic Affairs, who talked precisely about that problem of the commodity surplus. "The American domestic market," he writes in April 1944, "the American domestic market cannot possibly absorb all that production indefinitely. There is no question but that we will need greatly increased foreign markets." But you see, they knew it wasn't only a question of commodity markets; they knew it was also a question of profitable outlets for investments. That all of those wartime profits had been built up, and if they were plowed back into the domestic economy, it would once more expand that planted capacity and simply exacerbate that problem of production.

No, no — that you had to look beyond America, that you had to find those places for ploughing that investment profitably. And so you get it with the National Policy Association, then. The National Policy Association is a powerful, top-flight private group. It is a group of elite corporate

leaders, of those businessmen who are really thinking about what the world must be after the war, which is headed by the prestigious Charles E. Wilson, the president of General Electric. And in that National Policy Association, there is a policy formulation made in November of 1944, in a tract called *America's New Opportunities in World Trade*, in which we read this very categorical judgment about the necessity of outlets for this investment: "At the end of the war, the United States will have an enormous backlog of idle and underemployed capital at home, and a capital formation capacity which will greatly exceed the amount of new capital that can be profitably absorbed by domestic business." It was simply as clear as that.

Now, you see, if you look at the wartime diplomacy of those years 1944 and '45, it really is rather mind-blowing. You don't realize, as you look at that record and look at that history, that the United States is involved in this Grand Alliance that we were all talking about in this kind of war against fascism. That there was Great Britain, as that bold brave ally that had stood against Hitler, and there was the Soviet Union, withstanding Hitler at Stalingrad. And if you look at the inner workings of that diplomatic record in the years '44 and '45, you don't get that picture at all. But you get a record, after all, of tremendous diplomatic maneuvering, of tremendous constraints and pressure, of really adding the mailed fist, when necessary, in order, if you please, to set down, already, in those waning stages of the war, the outworks of that informal Open Door empire that seemed to be the *sine qua non* of American prosperity in that period after 1945.

And, you see, a great deal of it centers upon this question of really breaking up those old established empires. Empires that really had been attacked by the Japanese and by the Germans; those empires of France and especially of Great Britain, which had created those exclusive trading blocs, and more than that, which so controlled the valuable minerals and the valuable resources, out of which private investors in the United States could make money. But which also, after all, was the very fluid drive behind any kind of economic prosperity and expansion. And so you get, in that State Department Office of Economic Affairs, the commentary of Charles Taft of that office, writing then in 1944, in May, and saying very, very categorically what we are supersensitive to now: "Our metal resources and our minerals are running out. And so will our oil eventually. We must safeguard ourselves against that eventuality." Get into those protected markets, get access to those materials.

And can you imagine in your imaginings what it must have seemed like to Winston Churchill, who said he wasn't going to preside over the dissolution of the British Empire, when Franklin Roosevelt in 1943 tossed off — in one of those toss offs that meant something — tossed off the following remark: "We wish to make the natural resources of colonial territories available to the world as a whole." Well, that's a democratic principle, of course [*laughter*], but if you are Winston Churchill, it looks as though you are out for that British Empire, and that it really is on the trading bloc.

And, you see, if you want the primary example of that, the one that should warm the cockles of your heart because it leads you right into what you're into. If you want the prime example of that, it is that wartime diplomacy and maneuvering over Middle Eastern oil. Not a new issue. And over Middle Eastern oil, you get a paradigm case of what this thinking and what this strategy really was about. And, you see, when you stop to think about it, when you stop to think that the United States began to maneuver about Middle Eastern oil in the course of the war, you have to keep several things in mind that are terribly important. One is that the United States was no neophyte in the oil business: that, as a matter of fact, in the 1920s already, those tremendous dinosaurs — those American oil companies, those dinosaurs that had all been hatched in that very strange egg laid by John D. Rockefeller I [*laughter*] — and those dinosaurs, after all, in the 1920s, already controlled upwards of 80% of the oil that was drilled and produced in the world.

And you must remember, in the second place, that the United States as it comes into World War II already has tremendous sources of petroleum. It has it in its own petroleum supply in the United States, and then its companies have a monopoly over Caribbean oil; and consequently, all of the Western hemisphere is the American pocket. So remember a third thing: that when the United States eyes the Middle East, and when it is concerned about extending itself into reserves that had been, really, British reserves, when it thinks about that, it's thinking about pure profit. It doesn't really need that petroleum at that point; it's Europe that needs that petroleum. But the oil companies, if they get the concessions, can then sell that petroleum in Europe, which is very profitable. And secondly, for the United States, there is a very valuable lever of support and lever of control through the control of those sources of supply.

Now, keep all that in mind when you compare it with the British stake in the Middle East. For the British, it was really a life and death matter. For the British, it was the strategic *sine qua non* for the success of capitalism. Because it was Middle Eastern oil, the control over it, that enabled the British to fuel their navy; that enabled them, after all, to protect their empire with a navy that was insured in its oil supplies. And that, after all, was the very fuel by which British capitalism was to work. And so you're dealing with a conflict between the desire on the part of the United States to extend what it already has in great quantity, as against what is a kind of imperative for the survival of the British Empire. And, consequently, it becomes a kind of underground but monumental struggle.

Now, essentially, the United States was in the Middle East anyway. Now, you know oil is really fantastic. Oil is a great dream. Oil is a tremendous economic orgasm — that's why we call it a gusher [*laughter, applause*] — the desire constantly to expand. Now, the United States companies had already gone into that area. And we know that it had been an American company that had established a monopoly over the oil reserves of Saudi Arabia. It was Standard Oil of California, a West Coast operator, which had gotten a concession from Ibn Saud in 1933, and had paid about \$200,000 for that concession and had promised a royalty of 16¢ per barrel for

what it was to find and drill, and had signed that concession as a kind of monopoly over those reserves. But, you see, Standard of California was basically a domestic operator. And, consequently, it didn't have a worldwide marketing arrangement, and so it entered into an agreement with Texaco. And Texaco joined this operation because it did have worldwide marketing facilities, and together they founded the California-Arabian Oil Company — which in January of 1944 becomes the famous Aramco, and consequently the American stake in Saudi Arabia — and that, of course, begins to distribute that oil through a subsidiary called Cal-Tex. And that very oil-rich sheikhdom of Kuwait became the preserve of Gulf Oil, and Gulf Oil was Andrew Mellon, and Andrew Mellon in the 1920s and '30s had a bit of clout in the American economic schema. And consequently, the Sheikh of Kuwait in 1933 gave to Gulf Oil 50% access — sharing it with the British company, Anglo-Iranian Petroleum — a 50% control over what is a fantastic reserve. In the 1960s it considered that, in an area as small as Rhode Island, there lay, underneath those sands of Kuwait, 21% of all of the known oil reserves of the world. So the United States was already there.

But then there was Iran. And the British were in Iran. And it was theirs, and they had been there a long time, and they were always to remain there — so they thought. And, you know, there's something terribly predatory about the United States walking into Iran. You know, even if you don't like all of this kind of pilfering of imperialism, all of this exploitation, there's some things that are really peculiarly predatory; some things that really are like Operation Chutzpah [laughter]. And this is basically what this was in Iran, this pushing into this British domain. You see, we're not accustomed to that at this point, because we're living in an age in which these inter-imperialistic rivalries get resolved at the level of what is euphemistically called integration: in other words, that kind of solid front to prevent there being real upsets in the Third World, or real crisis in the capitalist systems in the West. And we are constantly aware of that kind of integration.

Ten years ago in Japan, when I first went into a factory that was producing optics and I saw the Japanese producing German cameras, I was a bit startled. But we're not startled by that sort of thing anymore. We know that in Ireland, for example, there is a plant that produces radial tires for Goodyear in Europe, and that plant is owned by an Austrian company which is part of a Franco-Belgium combine called Calson, which is owned by Michelin, the tire manufacturer. And consequently, we're not so shocked when we think that Swedish Modern furniture is made in Poland. Obviously, you wouldn't furnish your house "Polish Modern" [laughter], if you were told that. But it suffices to say, in this day and age, when we think about that kind of integration, it's a little bit startling, still, to think of this predation on the part of the Americans as they looked at Iran.

Now, about Iran we'll talk a lot in due time. But it suffices to say, you see, that Iran is a fantastic country. It's a big Middle Eastern country, and very underpopulated and very oil and mineral

rich. And it could really be a garden. And one, after all, has the historic problem of why the people have lived there in penury, and why it has not been a garden. And, you see, although in the nineteenth-century, Iran — which was then called Persia; the name Iran taken in the 1920s in the nationalist movement to get away from a Roman name and get back to a more authentic Iranian name, an authentic indigenous name — and Iran, or Persia, at that point in the nineteenth century, a playground. It was a playground for conflicting imperialisms: the imperialism of Tsarist Russia, that old style, atavistic, landed imperialism, encroaching down from the Caucasus, encroaching down into the Caspian Sea area; and then the imperialism against the Russians of the British. And the British in the nineteenth century, concerned about Persia because they were incessantly protecting, of course, that lifeline to India, protecting those approaches to that very center and heart of the British Empire. But, you see, for the British, it all changes at the beginning of the twentieth century, because then Persia means oil. It doesn't mean just a strategic location; for the British, it meant oil.

And, you see, the oil concession that the Shah of Persia gave in 1899 to an Armenian adventurer named Kitabgi [Antoine Kitabgi Khan], who had become a kind of official in the Shah's regime, the director-general of the customs system. But this concession wasn't desired by the Armenian — he was just an adventurer, and he looked around for somebody to pass it onto, somebody to sell it to, and he found an Englishman. One of those fantastic ones, you know, of the Cecil Rhodes variety, the kind that devoured continents for breakfast [*laughter*]. Kitabgi found, after all, William Knox D'Arcy. And D'Arcy, of course, became the great founder of that oil empire that the British establish in Persia. And D'Arcy had gone out to Queensland in Australia, and had become a millionaire in gold mining out there. And then this Armenian came to him and offered him this concession for the prospecting, and the drilling, and the exploitation of oil and oil products in Persia. And he bought that for £50,000. And, you see, Darcy died in 1917, really almost a billionaire, a fantastically wealthy man. And he had never been in Persia! And that shows you, you see, that we've all been living fifty years too late. And it suffices to say that those great opportunities were there in the Third World at that point.

Well, D'Arcy took that concession, and he renegotiated it in 1901 with the Shah of Persia, and he paid him another \$100,000. And the territory in which the British were to have their concession, this British company, was defined a little more precisely: it was all of Persia with the exception of the five northern provinces, the ones that bordered on the Caspian Sea, because that would offend the Russians. And so they were eliminated; all the rest belonged to that concession. And in return, the Persian government was to get a royalty, the royalty to be 16% of the profits of this particular company. Now, D'Arcy began to drill, and there was some disappointing years, as you can imagine. And finally, the gushers came in 1909. And, by that time, the operation had become so big that there was a reorganization of D'Arcy's company into the Anglo-Persian Oil Company — which included Rothschild money, which included money from other British financiers — and from that time on it was a fantastic operation.

And the British government itself got into the Anglo-Persian Oil Company in 1914. And that's Winston Churchill, with that great beady eye that he always had for, really, an important imperial conquest. And consequently, Winston Churchill, who was the First Lord of the Admiralty in 1914, was concerned about the building of the British Navy, about it being able to stand head against the Germans. And what he wanted was to ensure that the British would always have oil of their own for fueling that navy; that they would not have to depend, as they had up to that time, on Royal Dutch Shell (which, after all, they suspected might be pro-German). And consequently, what Churchill proposed in the parliament in July of 1914 was unprecedented. And that was that the British government buy up £2 million worth of shares in that Anglo-Persian Oil Company and become, slightly, the majority stockholder in it.

Now, there were all sorts of objections that were raised — that the British government was going into a private enterprise, that it would control it — and Churchill quite correctly answered that there would be no control, that there would be only two governmental representatives on the board of directors, and they would not have veto rights; that all this was was an assurance on the part of the British government that it would get its oil supply. And twenty years later, in 1937, Churchill made a most interesting observation, and that is that the British government never did anything more profitable: that by 1937, the government itself, as the majority shareholder, had gotten already £16 million just in dividends up to 1937. And as Churchill rather wryly put it, he said: "You see, all of that expansion of the British Navy between 1912 and '14 didn't cost the taxpayers a penny." And consequently, it cost the Iranians something but that, after all, wasn't in the calculation.

Now, from that time, from 1914 down to the Second World War, the Anglo-Persian Oil Company (which becomes the Anglo-Iranian) really is supreme in Iran. And it does exploit that particular monopoly, and it is the great power in that country. And it does two things that are extremely interesting. First of all, it keeps out the American interlopers. Because there kept being these little nudges by the American companies in the '20s to get into Iran, and every time the British managed to hold them off. But what is even more interesting — and it really tells us something about the relationship of these imperialistic companies to Third World societies — what is even more a paradigm situation is the fact that, all during the 1920s and '30s, this Anglo-Persian Oil Company managed to beat off the nationalistic aspirations of the Shah, Reza Shah; Reza Shah who was, after all, the center of a kind of nationalist movement in the 1920s and 1930s in the country of Iran.

Let me tell you something about this, because that's extremely interesting, and it becomes sort of a model for certain things we will see over and over again in our study of these contemporary societies. You see, Reza Shah — who is Reza Khan, he's not the shah — Reza Khan comes onto the scene, really, right after the First World War. And he is a military guy, and he is the head of the so-called Cossack Division within the Persian Army. And he puts himself in the service of

Persian nationalists: the ones who really are very offended and very worried by the fact that the British, right after the First World War, are really reducing Iran (or Persia) to the status of a protectorate.

And you see what had happened: that Persia had been divided into spheres of influence between the Russians and the British by the famous entente of 1907. And the Russian controlled roughly the northern half of Iran as a sphere of influence, and the British controlled the southern half as a sphere of influence. But then came the Bolshevik Revolution, and that weakened the Russian control, obviously, over northern Persia. But also, it put in the minds of the British the idea that in no way could they permit the Bolsheviks to have any kind of say in Persia, and consequently that they would really have to reduce that country to the status of a protectorate. Now, that was the design of Lord Curzon, who was at that point the director of British foreign policy. And so Curzon did what was the useful thing: he bribed the Shah, and consequently he got a very pliant prime minister put in in 1919 and '20. Then he bribed the prime minister, and then he got the Anglo-Persian Treaty of 1920, which gave the British the right to send in officers, to send in technicians, really to reduce the military and the economic affairs of Persia to a British affair.

And it's within that context that a nationalist movement rather explodes in Persia. And that Reza Khan, this military man, puts himself at the head of his Cossack Brigade and invades Tehran, and ousts pliant the prime minister, and abrogates this Anglo-Persian Treaty, and sets himself up as Minister of War in control of the armed forces of Persia. By 1923, Reza Khan had taken the position of prime minister, and he had told the Shah that the climate was no longer good for him, and the Shah had left. And in December of 1925, it is Reza Khan — prime minister, controller of the armed forces, nationalist — who becomes the Shah of Iran.

Well, he is a paradigm case, because he really is very much like a number of people who we see in this whole epoch of history. He is a military man who is a modernizer, who really resents the backwardness of his country, who resents the kind of controls that Western powers have over it. In a sense, he's really very much like Mustafa Kemal (or Kemal Atatürk) in Turkey, except he doesn't have as capacious an imagination as Kemal Atatürk. And he's very much like [Egyptian president Gamal Abdel] Nasser at a later time, except he isn't as radical as Nasser. But they share one thing in common, and that is that they're military people with a modernizing sense, but without any kind of revolutionary ideology or without any kind of very coherent strategy. You see, Reza Shah thought of modernization in terms of modernizing the customs of the country, not reconstructing the structure of it. And there was a lot of that kind of what we call pulling of Persia into the twentieth century: ripping the veils off the faces of women by order of the state in 1935, beginning to clip the wings of the Shiite clergy, of those mullahs who had so much power, building a certain number of roads and railroads, improving the infrastructure, building that massive University of Tehran in 1935, as a kind of symbol of the fact that Persia, that Iran was going to go someplace.

And, you know, there's something very sad about that. This crazy jaunt around the world I took for a couple of years in a completely bogus UNESCO project, about ten or twelve years ago, ended up in Iran and I was supposed to give these lectures in all these universities. And so they say, "You go to the University of Tehran, and you give this lecture." Well, around the world for two years and I carried five lectures, and I thought they were good, big, broad lectures that would be useful anywhere; they were always out of place, because I went to Iran, which was then an absolute police state, to give a lecture on the legacy of the European Enlightenment [*laughter*]. Well, I got there at the University of Tehran and began to see what the whole contradiction of societies of this kind really is like, because it is immense. It's that kind of elephantiasis that dictators like Reza Shah have. And he built huge, huge fences around immense and monstrous buildings. And so you had to go through all this police presence, and when I arrived the university had been closed for seven months, because the helicopters had landed and they shot down students in a student riot. And it had just been reopened, so you had to show all kinds of IDs, and I went in. As soon as I came in, there was an Iranian student, an immense, massive guy, who came next to me and pulled me by the hand and said, "You're the American that's coming to lecture?" And I said yes. And he said, "Come here," and took me to a building that was absolutely riddled with bullet holes; he said, "That's where twenty-two of our comrades were shot down by the police." And that place, well I went in there to lecture on the European Enlightenment [*laughter*]... You see that a university like that becomes a hotbed of radicalism, and it is out of place in a society that doesn't make a structural reform.

And that Reza Shah did not do. He didn't make a land reform, for example; the peasantry of Iran, which were the mass of the population, remained, after all, totally poverty-stricken, uneducated, passive, inert. The ruling class still was composed of those absentee landlords. But here's the point: the point is, what did he do about the oil company? And what could he do about the oil company? And, you see, he came in as a nationalist, and all through the '20s Reza Shah really didn't say anything to Anglo-Iranian that would be threatening. In fact, in May of 1928, there was a strike in southwestern Iran in the oil fields, on the part of the oil workers — striking, if you please, for a minimum wage of \$9 per month. And that strike was very brutally broken by the Iranian government, 200 union ringleaders were put into prison.

But yet, Reza Shah came into conflict with that company in the early '30s, and that because the amount of revenue that the state was getting from the company was really dwindling to nothing. In part, of course, because you couldn't see the books of the company; Anglo-Iranian simply concealed its books, and every once in a while it told what profit it had made, and then gave the 16%. Well, that began to dwindle to virtually nothing in the course of the Depression, when the price of oil on the world market went down. In the year 1932, the Iranian state, for all of that oil that was being pumped out, got only £300,000. And at that point Reza Shah raised hell, and consequently he said he would abrogate the concession. And he took the issue before the world court, and he took the British before world opinion and forced negotiations. And the concession

was renegotiated in 1933. In the renegotiation, it no longer was the 16% royalty, but there was an 80¢ (or 4/-) royalty on each ton of oil, which meant that if the price went down still there would be the royalty going into the Iranian treasury. More than that, the size or the perimeter of the concession was halved, so that all of Iran (save those five provinces) was now not in the concession, but it was cut in half. And yet the company, you see, came out smelling like roses, because the length of the concession was extended: that concession was to have been sixty years — which meant that it would end in 1961 — it was now extended by this renegotiation to 1993.

The point I make is that nothing — not the Americans, not the nationalist movement — unseated Iranian Oil. Nothing unseated the British position until the Americans in World War II. Now, there had been a strategy on the part of the Iranian government. And the Persian government even before Reza Shah had done this, and that was the strategy — if it was going to be a playground of the Russians and the British — of bringing in a third power. The idea was that the government couldn't stand head against these rival imperialisms, perhaps, if it brought in a third power; it would neutralize all of them. And consequently, before the First World War, the Persian government had frequently had access to American experts, to those kinds of American economic and financial technicians who would go into the Persian government: [William] Morgan Shuster, for example, in 1910 and '11, who became an advisor to the Persian government.

In 1930, that role was played in Iran by Nazi Germany. And Nazi Germany became the third power in Iran, and the Shah of Iran, Reza Shah, had a certain kind of affection for the Nazis. He felt they were getting things done. And then the Nazis, after all, did certain things to kind of ingratiate themselves. Lufthansa, for example, ran two daily flights between Berlin and Tehran, and nobody in the 1930s was taking that many flights to Tehran [*laughter*]. But it was a kind of a prestige thing, and consequently, the Shah was rather ingratiated by this kind of activity. And then all of these German advisors, technicians, these government officials began to come in. And all of that was a kind of gathering crisis that exploded in the Second World War. Because after June of 1941, when the Germans, after all, invaded the Soviet Union, and both Russia and Great Britain were at war with Germany, the presence of Germany in Persia/Iran was a terribly menacing thing. Menacing, in the first place, because the Germans might use Iran as a kind of landing pad in order to launch an invasion of the Caucasus area, or they might disrupt the flow of traffic in the Persian Gulf and that approach to India. But even more, there is something very crucial. And that was that, so long as the North Sea route of supply in World War II to the Soviet Union (the route that ended in Murmansk and Archangel) was under heavy enemy attack, the one place where you could safely supply the Soviet Union was to carry that supply through Iran.

And consequently, in the summer of 1941, the British and the Russians requested of Reza Shah two things: that he oust the German advisors from his country, and that he permit the British and the Russians to route supply through his country. He refused on both scores. And in August of

1941, there was a dual invasion of Iran: the Russians invaded it from the north and the British invaded it from the south. They ousted the Germans, and they simply took over the country. And they made a treaty with Iran which said that the Russians would dominate and occupy the northern half, and the British would occupy and dominate the southern half, and that they would remove their troops only six months after there was an armistice or a peace. And consequently, Iran is in the hands of the British and the Russians. Reza Shah abdicates into the hands of Mohammad Reza Shah, his son, who is still the Shah of Iran, the great favorite of the *New York Times* and various organs of that kind. And consequently, the country was in the hands of the traditional imperialists of that country. And then the Americans arrive.

And they arrived in 1942 for a legitimate reason, and that is that they were sending supplies to Russia through Iran. And consequently, they had to have troops there in order to protect that supply. And once the troops came, well, there were other advisors who could do things for the Iranian government. And the Iranian government was willing to play this particular game. And it gets terribly interesting. Because, you see, there was a terrific inflation in Iran. In the year 1942, it is estimated that the inflation was of the order of 1,000% because of all of this new business that was going on in the country through the Russian and British presence, with all this supply going through. And consequently, the economy was in chaos. And out of that chaos had grown a left-wing party called the Tudeh Party, which was a pro-Communist party. And suddenly the Iranian government and the Americans both recognized that they had to do something about regulating that internal financial structure of Iran, and also of warding off the possibility of something very radical happening in that country. And the Americans came.

And they came, by the end of 1942, in the person of Dr. Millspaugh. Now, Arthur Millspaugh, after all — well, you should like Arthur Millspaugh, he has done your American interest great service. And Dr. Arthur Millspaugh was an American economist, which tells you a lot. And he had been in Iran before, and he went in with a mission to try to straighten out Iranian finances. And in 1943, Dr. Millspaugh became, surely, the most important figure controlling the Iranian economy and controlling Iranian politics. He was an absolute powerhouse. And he had a view about what he was doing there, and his view was that a country like Iran couldn't possibly really maintain its own independence, that it constantly would have to depend on some great power. And this was the Open Door opportunity; that this was the opportunity, after all, for American interests and American investment to get in. And consequently, by 1943, the American ambassador in Iran, Louis Dreyfus, is writing to the State Department about the Millspaugh mission the following: "Dr. Millspaugh is gradually assuming control over the entire financial and economic structure of Iran. He is probably the only man in Iran at present who can obtain passage through the Majles" — which was the parliament — "of any piece of legislation that he considers necessary." And it is through the auspices of Millspaugh that the Iranian commercial attaché in Washington, in February of 1943, approached an American oil company — the company was called Standard Vacuum, which was the Far Eastern affiliate of Socony Vacuum

— and this Iranian commercial attaché, with the auspices of Millspaugh, said to this American company, "Would you like a concession of oil in Iran?" And they said yes [*laughter*]. And then the question was put of where, and they said, "We'll study it." And by September of 1943, Standard Vacuum had said, "We would like a concession in the area on the border of Indian Balochistan," in other words, in the southeast of Persia.

Now, when the British heard about this, they were, as we say, thunderstruck. And they felt that they had been duped by their American allies. And they sent a mission to the Iranian government, and they said that they had suddenly decided that they had to have a concession on the border of Indian Balochistan. Now, the government was perfectly willing to make concessions to the Americans to play them off against the British. And so the government of Iran circulated to the Secretary of State Cordell Hull, and they said to Hull, "Does the American government really support this interest of the American oil companies?" And Hull's response is worth listening to, because it tells us a lot. And Hull responded to the Iranian government, in October of '43, this way: "Because of the importance of petroleum, both from the long-range viewpoint and for war purposes, the Department of State looks with favor upon the development of all possible sources of supply."

Now, you know what that means when it boils down. What Cordell Hull was saying was something that becomes really very much a kind of operational principle in American policy, and that is that "What is yours, I take, and what is mine, I keep" [*laughter*]. Because, you see, at that particular time when the British were getting very upset, Cordell Hull at the same time was suggesting to the British that they really ought to sit down and have some hard talk about Middle Eastern oil, and really divvy it up a little bit, and open some of these doors. And the British, Churchill — rather with tongue in cheek, a big tongue a big cheek — turns, after all, answers Cordell Hull at that point, he said, "Well, oil, it's a very, very, good question, the oil economy. Well, wouldn't it be better, rather than discussing Middle Eastern oil, to discuss the entire world oil economy?" Well, that meant, of course: Would the British then get into Caribbean oil? And would the British then get into American oil? And Cordell Hull said, "No, no. Now, we must keep it simple" [*laughter*]. "And consequently, we will discuss only Middle Eastern oil. And if that is a successful discussion, then perhaps later on we'll open the discussion to some larger questions."

Now, Churchill knew what was going on. He was certainly a man who knew when a stiletto was at the throat. And consequently, he wrote to Roosevelt in March of 1944 something which, if you know about Winston Churchill and you understand something about how he felt about that British Empire — it really was something very primal, very sexual with Winston Churchill [*laughter*] — he wrote to Roosevelt, "Great Britain seeks no further advantage as a result of the war. On the other hand, she will not be deprived of anything which rightly belongs to her after having given her best services to this good common cause of ours." Well, that didn't cut any ice.

And only five weeks after Churchill wrote that to Roosevelt, the State Department put out its real policy directive on oil. And it put that out in April of 1944. It's a document entitled *Petroleum Policy of the United States*, and its conclusion is this, and note it well: "United States policy should, in general, aim to assure to this country a substantial and geographically diversified holding of foreign petroleum resources in the hands of United States nationals. This would involve the preservation of the absolute position presently obtaining. And, therefore, vigilant protection of existing concessions in the United States hands coupled with insistence upon the Open Door principle of equal opportunity for United States companies in all other areas."

Well, that was about as wanton as you get. And the implementation of that policy was not at all unsuccessful. In the area of Saudi Arabia it was terrifically successful, because the British really got miffed by this whole Iranian operation. And they began to look at Saudi Arabia. And, you know, with the Saudis, with Ibn Saud at that particular point, you know their needs are really very basic — I mean money! — and consequently, really keeping all of that feudal sheikdom in the style to which it wants to be accustomed. And I remember, in Beirut, there's a hotel that really is on the shore of the eastern Mediterranean there in Lebanon — and Lebanon, you know, it's really a country for the sheikhs — and consequently, there's this hotel called the Phoenicia Hotel, which is really like some sort of like Disneyland and Miami Beach all rolled into one. It is this monstrous, pink hotel. And consequently, there are two entire floors that are simply reserved year-round and empty, a good deal of the time, for sheikhs of Saudi Arabia. So that you are really dealing with a country in which money talks in a very direct and a very visceral way.

And so in Saudi Arabia, the British were making money overtures to Ibn Saud. And consequently, Aramco was getting a little bit upset. And the Americans really design a policy which becomes important, because it already foreshadows a lot of policy. By the end of 1944, the Secretary of State was no longer Cordell Hull. It was now Edward Stettinius, who was a little closer to reality, because Edward Stettinius was the son of a partner in the House of Morgan. And consequently, he's at the State Department where he belongs [*laughter*]. And so Edward Stettinius at the end of 1944 says to Franklin Roosevelt, that what we must do is really establish an aid program to this developing country of Saudi Arabia, and if we give a little bit of aid, the return that we get will really be very substantial and very important. And so the aid program to Saudi Arabia begins; the altruism begins, the affluence of Saudi Arabia begins. And the return, of course, we all know. So it was very successful, that implementation of policy.

With Iran, it's a little bit more complicated. For the first six months of 1944, American diplomacy supported the interest of Standard Vacuum and of Sinclair which was now into the game to get concessions in Iran. And the problem that developed in '44 was a nationalist drive against Dr. Millspaugh. And the nationalists at this point were headed by an extremely remarkable guy, of whom we'll talk a lot later. And that, of course, Dr. [Mohammad] Mosaddegh. And Mosaddegh — who was himself a kind of socially conservative guy, but very

nationalist, and very concerned about foreign imperialism in his country, and very sensitive to the idea that the Americans might be building an empire in Iran — Dr. Mosaddegh was leading a campaign to oust Dr. Millspaugh from his key position in the Iranian government.

And yet the negotiations went on. And what really messed up the negotiation, and it's terribly interesting, was the sudden intrusion of the Russians. Now, the Russians didn't want oil in Iran. They had their own oil. And when they came into the game demanding oil, it was like saying that the places in which the Russians really are going to take their stand — if they have to take a stand anywhere, and really even risk their alliance with the Western Allies — is precisely in those areas that they consider of vital strategic importance because they're on the frontiers. And consequently, Iran is on the Caucasus frontier, and it means that the Russians have to have a say. And if the Americans are going to build a position there, the Russians want a counter position. And so the Deputy Commissar of Foreign Affairs of the Soviet Union [Sergey Kavtaradze] arrived in Tehran in September 1944, and he said that the Russians now want an oil concession in the five northern provinces of Iran. And that killed all the negotiations, because the Majles, the parliament of Iran at that point — thinking that the whole country was now going to be open to rival imperialisms in a simply desperate way — passed a law put by Dr. Mosaddegh on the 2nd of December of 1944, which said that no further oil would be granted in Iran without the consent of the Majles, without the consent of the parliament. And for the time being, that stymied the Americans.

But American policy was clear, and American policymakers knew perfectly well that they were just bidding for time in Iran. And they have an added talking point. It wasn't only a question of prying open that Open Door in Iran that had been closed by the British; it was now a question of forestalling a Russian position in Iran. Because out of that whole operation came an exacerbated idea that the Russians, anyway, would really slam the door shut. And consequently, the American ambassador in Tehran, Wallace Murray, in September of 1945 writes back to the State Department something that you should keep in mind: "If the Russians extend their influence over Iran, it will end all possibility of an American oil concession there. But even more, it will create a threat to our immensely rich oil holdings in Saudi Arabia and in Kuwait." And you can begin to understand why it is in Iran that will have the first real proving ground for the containment policy against the Russians, and why it is in Iran that you will have the first great playground for the CIA in countering the nationalist aspirations of Dr. Mosaddegh.

All of which tells you that there was a lot of leverage for American policymakers in World War II. And it brings us back to the initial point. And the initial point is that if American policymakers are really trying to reconstruct the world economy, if they are trying to throw the door open, the real problem will not be rival imperialisms — they will be able to handle rival imperialisms — but the problem may be the growth of the European left, or it may be the power of the liberation movements in the Third World, and especially in Asia. And it's at that point that

the problem becomes interesting. Because, you see, no matter what and no matter how you read it, the European left — or what you call those people, those masses who wanted some other kind of society — that European left had grown. And it had grown fantastically in the course of the last years, and it had grown in those resistance movements. And if there was anything that the Americans knew, it was what their intelligence reports brought to them that at the center of that growth of the European left was the growth of the Communist movement.

And that Communist movement, statistically, did grow. And if you take a country like Czechoslovakia, where there were 60,000 Communists in 1935, there were 1.75 million in 1946. You take a country like Greece, where the Communists never scored more than 10% of the vote before 1939, and which now had a veritable army armed in Greece in 1944 and '45. Or you take the case of Yugoslavia, where there had never been more than 12% in the vote of Communists, and the Yugoslavian partisan army is a Communist-led armed force in Yugoslavia. And you take those Western parties: the French Communist Party, never more than 320,000 at the height of the *Front populaire* in 1937, over a million members of that PCF in 1946; the Italian Communist Party, which had been calumniated, which had been driven out of the country under fascism, over two million members in 1946. Well, it's a panic.

And of course, for the American policymakers it was even more than that. It was the idea that the socialists, after all, were in collaboration with the Communists in these resistance movements — and always behind the scenes, always in the back of the mind, the idea that those Russian armies might roll over Europe and ferment and stimulate those Communist parties to make revolution.

Now, all of that, we know, was built upon false premises; that, after all, the resistance owed nothing to Russian arms for the most part; that for the most part, they were responsive to the cruelty of the occupier. They were responses to the kind of collaboration that the old ruling classes had made with the puppet governments. In the second place, a lot of those resistance movements were not revolutionary: they were patriotic. In the third place, the Russians were falling all over themselves to make collaboration with the West and to reign in these Communist movements and these revolutionary forces. And the Russians had already sacrificed revolutionary movements before the Second World War. Why not, for the sake of reconstruction help after the war, for the sake of Russian security, why not sacrifice the European left?

All of that was true, but you must remember two things. You must remember, in the first place, that for American policymakers, the existence of a mass left in Europe was a threat no matter whatever evidence there was to the contrary. And, in the second place, as much as the Soviet Union might be able to control its faithful, could it control everything? And if the European left was going to be beaten, it was not going to be beaten just by the restraints imposed by the Soviet Union; it was going to have to be beaten by a strategy. But you will be happy to know that you are in good hands and that your policymakers were equal to that task. [applause]