

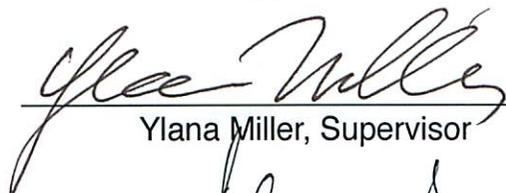
Institutional Shifts and Distorted Intelligence: Examining the 1953 Coup Against
Mohammad Mossadegh

by

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Introduction

On August 19, 1953, Iran's democratically-elected Prime Minister, Mohammad Mossadegh, was arrested at his home in Tehran, the product of a coup engineered by the Central Intelligence Agency. His arrest and subsequent imprisonment thus marked the first successful attempt at political subversion undertaken by the recently developed CIA. The following rule under Mohammad Reza Shah Pahlavi was characterized by brutality and fear, culminating in the Islamic Revolution of 1979.

The decision to overthrow Mossadegh's government originated from a U.S. national security structure that was created in response to the intelligence failures of World War II, and was further developed to address Soviet expansion during the Cold War. This action represented a substantial change in U.S. policy towards Iran from previous years, raising the question of how a shift in the newly created national security organizations affected interpretation and reaction to events unfolding in Iran.

Subsequent to his taking office, Iranian Prime Minister Mohammad Mossadegh and the National Front coalition moved to nationalize Iran's oil industry in 1951, raising fears in the Cold War's early years of Iran yielding to Soviet influence. The British (controlling the majority of the Anglo-Iranian Oil Company) quickly objected to Mossadegh's actions and sought to reclaim control of Iranian oil. Analyses taking place during President Truman's administration seemed to shed light on the Iranian reasoning behind oil industry nationalization. However, the first days of Eisenhower's Presidency

saw a coup against Mossadegh designed and carried out by the Central Intelligence Agency, forever altering the operational capacity of the CIA.

The coup against Mossadegh has traditionally been viewed through the lens of Presidential policy regarding the Cold War. That is, Eisenhower's administration sought the most active of policies in order to stem the rising tide of Soviet influence, thereby turning directly to clandestine action as the preferred instrument of national security strategy. Historians have traditionally viewed the institutions created and developed in response to the Cold War as instruments in foreign policy, where the President who wields them determines the measure of use. Even with a change of Presidential administration — a change some would contend is the cause for the altered U.S. policy towards Iran — the information that provided a foundation for policy recommendations originated from politically neutral sources.

The correlation between the coup against Mossadegh and the early stages of the national security institutions' development in the U.S. has generally been overlooked as a way of understanding the shift in policy towards Iran that occurred with the change of Presidential administrations. I propose that it was the expansion and redefinition of the National Security Council under Eisenhower that ultimately led the CIA to overthrow Mossadegh, thus shifting the Intelligence Community from a primary focus on analysis to a prioritization of operations.

In the following chapter, I will provide background information on the Anglo-Iranian Oil Company and its relationship to both Great Britain and the Iranian National Front Movement. Chapter 2 will examine the development of the NSC and the CIA in

response to both failures encountered in World War II and the emerging Cold War.

Chapter 3 will detail the expansion of the national security structure under Eisenhower, and the process by which the administration interpreted the developments of the Iranian oil crisis. Finally, Chapter 4 will discuss the CIA's expanding operational capacity and its implications.

Chapter 1

Great Britain, Oil, and Iranian Nationalism

On May 26, 1908 — after seven years spent in the Iranian desert — geologist George Bernard Reynolds struck oil in Abadan. William Knox D’Arcy, a British millionaire who made his fortune from gold mining in Australia, hired Reynolds in 1901 to explore for oil. D’Arcy had previously secured a sixty year concession from the monarch of Iran, Muzzaffar al-Din Shah of the Qajar dynasty, to the sole right to explore and extract oil within a 400,000 square mile area of southwestern Iran.¹

In return for this concession, D’Arcy agreed to “make a cash payment of \$100,000 and to issue to Iran paid-up shares representing 10% ownership of the ‘first exploitation company.’” In addition, the concessionaire agreed to pay Iran a royalty of 16% of oil profits. At the end of the concession, all the assets of the company, both in Iran and abroad, were to be vested in the Iranian Government.”²

Little was produced in the first several years of oil exploration in Iran. Reynolds struck oil in 1904, but the field dried up in less than a year. D’Arcy, hemorrhaging capital in his oil venture, eventually sold most of his stake in the concession to the Burmah Oil Company based in Scotland, a company that had a history of successful oil exploitation in both Southeastern Asia and the Indian Subcontinent.³ Nonetheless, as another four years passed with no successful attempts at extracting oil, the operations

¹ Mohammad Gholi Majd, *Great Britain and Reza Shah: The Plunder of Iran, 1921-1941* (Gainesville: University Press of Florida, 2001), 240.

² World Bank, *Nationalization of the Iranian Oil Industry: An Outline of its Origin and Issues* (Washington, DC, 1952), 2.

³ Stephen Kinzer, *All the Shah’s Men: An American Coup and the Roots of Middle East Terror* (Hoboken: John Wiley & Sons, 2008), 48.

in Iran were determined to be a loss, and Burmah made a decision to halt the exploration campaign.

However, one final attempt by Reynolds at Abadan, at the northern edge of the Persian Gulf, proved successful. A massive petroleum reservoir — one of the world's largest — was thus discovered.⁴ By the end of 1908, D'Arcy, in agreement with Burmah Oil, created the Anglo-Persian Oil Company and transferred the rights attached to the original concession to this new entity.⁵ Advertisements for initial investor interest were displayed in *The Economist* magazine.⁶

Winston Churchill, as First Lord of the Admiralty, began a campaign to convert the British Royal Navy from coal power to oil. The British Royal Navy dominated the seas, protecting shipping routes and thus acting as the linchpin of Great Britain's power. However, advanced industrial progress in the German Reich, as well as its colonization in Africa and the Americas, motivated Britain to find the means to preserve its hegemony.⁷ Churchill understood that oil possessed many distinct advantages over coal, and exhibited promise in increasing naval strength.

Oil-fired ships required a much smaller engine and a third of the tonnage of fuel required to produce an identical level of horsepower to that of coal, thereby increasing sailing speed.⁸ This in turn reduced greatly the amount of labor and time involved in refueling ships. As Great Britain possessed great quantities of coal, the argument to turn away from a secure domestic fuel supply in order to improve the fleet became a

⁴ Ibid., 50.

⁵ World Bank, 2.

⁶ *The Economist*, "Anglo-Persian Oil Company Limited," April 17, 1909, 854.

⁷ F. William Engdahl, *Oil and the Origins of the Great War*, *History Compass* 5.6 (2007): 43.

⁸ Engdahl, 46.

difficult one to make. However, with further activism on the part of Churchill, many within the British government became interested in converting the fleet and thus sought to find a secure oil source abroad.⁹

Following a consensus at Whitehall to move to oil power, the British sent representatives to oil fields in the Persian Gulf, discovering that the choice of best supplier rested between the Royal Dutch Shell Group and the newly developed Anglo-Persian Oil Company. After continued political negotiating led by Churchill, the British government acquired 51% of Anglo-Persian's stock in order to secure the oil supplies necessary for ensuring the Royal Navy's competitiveness. Shortly after the British government's acquisition of a controlling stake in the APOC in 1914, the company entered into a contract with the British Admiralty that would offer a 20 year oil supply of oil to the navy "at cost."¹⁰

A report produced by the World Bank in 1952, reviewing issues surrounding the oil crisis in Iran, stated that in 1923, Parliament deemed the British government's acquisition of majority shares in APOC as "socialistic." This underscored the fact that the British were in essence nationalizing the APOC to preserve strategic interests, a process they would later chastise the Iranian government for undertaking. However, Churchill met this argument with the fact that the arrangement saved the Admiralty "40 million [U.S. dollars] during the first world war."¹¹ Furthermore, the report states:

The British Government had barely got into the picture before the Company began exerting pressure to amend the D'Arcy concession. Its first move was to

⁹ Erik Dahl, "Naval Innovation: From Coal to Oil," *Exploration & Production*, July 4, 2006, http://www.epmag.com/EP-Magazine/archive/Naval-innovation-coal-oil_5911.

¹⁰ Majd, 243.

¹¹ World Bank, 10.

withhold payments of royalties to Iran. This was done on the grounds that a neighboring government had incited the sabotage of the pipelines. Although the actual damage did not exceed 100,000 [US dollars], the Company used this as a pretext to withhold royalty payments for 5 years and even claimed some 2 million in compensation.¹²

Efforts thus began to further secure oil supplies as the British government gained majority ownership in the APOC. Britain's withholding of royalties, attributed to pipeline damages, represented Britain's initial attempt in constructing an environment in Iran that would eventually lead to a re-negotiation of terms favorable to Britain and ultimately to permanently securing oil supplies.

Reza Khan and the Removal of the Qajar Dynasty

Tsarist Russian control of the northern provinces of Persia, as well as deeply embedded Russian influence over the Qajar dynasty, ended with the October Revolution of 1917 in Russia. The Bolsheviks, shortly after seizing power, forgave the debts Persia owed to Imperial Russia.¹³ After the first World War's 1918 Armistice — and with the removal of Tsarist pressure in Iran — Britain took action to consolidate its power in Tehran. By offering bribes to the monarch, Ahmed Shah, as well as his Prime Minister and certain members of the *Majlis* (Iranian constitutional parliament), Britain sought to place advisors in key Persian ministries and military posts in what was known as the “1919 agreement.” However, popular opposition quickly rose against the agreement the Shah made with the British.¹⁴

¹² Ibid., 5.

¹³ Kinzer, 43.

¹⁴ Abbas Milani, *The Shah* (New York: Palgrave Macmillan, 2011), 17.

In the north, tensions increased as a Persian socialist movement developed with the assistance of Soviet forces, eventually leading to the emergence of the Persian Soviet Socialist Republic in 1920.¹⁵ With concerns increasing based on the perception of the spread of communism in Persia, the British looked to Reza Khan for assistance. Reza Khan was a battle-hardened soldier of the elite Russian-commanded Persian Cossack Brigade, developed to protect the Shah and modeled after the traditional Russian Imperial Army unit. He maintained a notoriously anti-communist ideology, and perceived the Bolshevik movement as a major threat.

The British arranged a coup, seeking to establish a strong central authority within Persia by placing Reza Khan in power. On February 21, 1921, Reza Khan marched the Cossack Brigade into Tehran, and both the Qajar Shah and Prime Minister were removed. Sayyed Zia, a popular Iranian journalist recognized in Tehran as a vocal advocate of British policy and a resolved anti-communist, was given the Prime Minister's seat. Reza Khan eventually forced Zia from his seat, consequently assuming the premiership.

Reza Khan admired the reforms made by Atatürk after the fall of the Ottoman Empire, and soon sought to establish himself as President of a secular Persian republic, much as Atatürk had done in Turkey.¹⁶ In 1925, Prime Minister Reza Khan encouraged the *Majlis* to pass a resolution abolishing the Qajar dynasty; however, a subsequent vote took place in the *Majlis* which named Reza Khan the new Shah. Reza Khan soon forgot his republican aspirations, seeking to modernize Iran at the expense of

¹⁵ Ibid.

¹⁶ Ibid., 25.

democracy. Reza Shah's policies included acts of brutality and censorship, acts which stifled the public voice and solidified Britain's control of both Iranian politics and oil.

The 1933 Oil Agreement and the Abdication of Reza Shah

From a life serving as a soldier in the Cossack Brigade, Reza Shah became known for his brutish leadership. In his book, *All the Shah's Men*, foreign correspondent Stephen Kinzer notes one particularly salient example of Reza Shah's ruling style:

Once during a visit to Hamedan in western Iran... [Reza Shah] is said to have learned that people there were going hungry because bakers were hoarding wheat in order to drive up prices. He ordered the first baker he saw thrown into an oven and burned alive. By the next morning, every bakery in town was filled with low-priced bread.¹⁷

Reza Shah was able to make substantial improvements to Iran's infrastructure, as well as opening a great number of schools, and introduced both a secular civil service and court system to Iran. Despite these developments, however, Reza Shah saw social tension in Iran build as he continued to rule with an iron fist; political dissenters were quickly thrown in jail or executed, cronyism became rampant, and wealth was continually consolidated within the hands of a few individuals close to the Shah. The Shah, while citing his efforts to rid Iran of its roaming bands of thieves, became notorious for continually extracting bribes from business owners. Furthermore, Reza Shah collected property by threatening harm to its owners.¹⁸

Reza Shah's histrionic displays in condemning the British were seen as nothing more than an unconvincing facade over his truly corrupt behavior. Nevertheless, the

¹⁷ Kinzer, 43.

¹⁸ Majd, 323.

Iranian government opted to re-negotiate more favorable terms for Iran from the D’Arcy Concession. Britain quickly reacted by dispatching warships to the Persian Gulf. Despite Britain’s showing of military might, negotiations between the British and Iranians took place. Iran sought to institute an income tax on the APOC, as well as claiming higher royalties from oil profits and reduced rates for domestic Iranian oil consumption. As Britain was unwilling to agree to most provisions, the implied use of military force eventually led Iran to submit to a set of terms that culminated in the “1933 agreement,” improving considerably the APOC’s position from that which was held through the D’Arcy Concession.¹⁹

With the rise to power of the Nazi party in Germany, a new actor emerged in Iranian politics. The Nazis provided assistance to the Shah in building factories, steel mills, and updating the rail network. After Hitler became Führer in 1934, relations between Berlin and Tehran strengthened further. Reza Shah declared that the traditional name of Persia, by which the West traditionally referenced Iran, would be eliminated, and Iran — the name by which Iranians called their country — would be used, with the Anglo-Persian Oil Company eventually changing its name to the Anglo-Iranian Oil Company (AIOC). The relationship materializing between the Nazis and Iran did not go unnoticed by the British.²⁰

Following the outbreak of World War II, the British became ever more concerned by the German presence in Iran. With Nazi troops marching towards Moscow in late 1941, the British and Soviet Union used the threat of Germany’s presence in Iran

¹⁹ World Bank, 13.

²⁰ Milani, 68.

(although exaggerating greatly the actual number of Nazis in Iran) as grounds for a joint invasion from the north by the Soviets and the south by the British army.

With the invasion of Tehran by Soviet forces imminent, Reza Shah made the decision to abdicate his throne in 1941. Meanwhile, the British continued to look for a suitable replacement to Reza Shah. They determined that Mohammad Reza Shah Pahlavi, the son of Reza Shah and crown prince of Iran, would make an acceptable replacement. In discussing the rise of Mohammad Reza Pahlavi, Abbas Milani, director of the Iranian Studies program at Stanford University, notes:

As the young, reluctant new Shah watched all of this and saw how easily British and Russian power had forced the abdication of his once omnipotent father, he seemed to have internalized the idea that big powers, particularly Britain, Russia and America, could do anything in Iran, and that in fact nothing would happen in the country without their overt approval or their covert intrigue.²¹

In the early years of his rule, the new Shah quickly became conscious of the rising tensions between Britain and the Soviet Union as the Cold War emerged.

Soviet influence in the north of Iran continued to spur the development of the Communist party in Iran, the *Tudeh*. The *Tudeh*, which had been outlawed during Reza Shah's reign, re-emerged following his abdication. An assassination attempt on Mohammad Reza Shah on February 4, 1949 by a member of the *Tudeh* caught the attention of the United States. An Intelligence report published shortly after the attempt on the Shah's life indicated that the party, disbanded by force following the assassination attempt, had the capacity to re-organize and produce a government

²¹ Milani, 87.

sympathetic to the Soviets. Protection would thereby be provided by the USSR's occupying force in the northern regions of Iran.

Furthermore, the intelligence report on the *Tudeh* and its connection to the Soviet Union, produced by the CIA in its early years, underscored the fact that socio-economic conditions in Iran increased the attractiveness of the *Tudeh's* platform. The report stated:

So long as genuine social and economic improvements lag, the [*Tudeh*] party's internal reform program will have an obvious appeal to all of the politically conscious classes except for the more well-to-do, while the party's positive approach and conspiratorial organization will continue to provide an attractive antidote to the sense of frustration which pervades certain sections of the Iranian population today. These appeals, which are counter-balanced somewhat by the individualism of the Iranian and by the distrust inspired by the party's obvious connections with the USSR, are not as yet strong in the hinterland.²²

Interestingly, the report noted the counter-balancing of *Tudeh* attractiveness by an Iranian distrust of the party's connection to the Soviet Union. Any appeal to Communism was thus related to conditions perpetuated by Britain's involvement in Iran's internal affairs. The notion that Britain's influence in Iranian politics should be replaced with that of the USSR was undoubtedly rejected by Iranian public opinion.

The Iranian Oil Crisis

In Iran, popular fervor in opposition to both the AIOC and the British government's interference in Iranian affairs continued to build. At the same time, in

²² Central Intelligence Agency, *The Tudeh Party: Vehicle of Communism in Iran*. July 18, 1949, 14. From CIA, *Freedom of Information Act Electronic Reading Room*. http://www.foia.cia.gov/sites/default/files/document_conversions/89801/DOC_0000258385.pdf (accessed February 25, 2014).

1948, the Soviet Union sought a concession to explore for oil in the northern Iranian provinces. When negotiations with the Soviets began, public anger grew and the talks were quickly curtailed. At this point, powerful public opinion rejected foreign intervention and concessions and supported action to liberate Iran from foreign control.²³

By 1949, widespread public opinion favored the re-negotiation of oil royalties, eventually forcing the Iranian government to set up a commission to draw up a set of demands, which included:

- (a) A 50-50 profit sharing agreement
- (b) Payment of 20% of the AIOC's cash reserves.
- (c) Implementation of the previous British obligation to limit foreign workers and train Iranian oil technicians.
- (d) Price of oil for Iranian domestic consumption set at the price supplied to the British Admiralty by the AIOC.

The British countered with an offer amounting to a meager 26 cents per barrel payment to Iran. The agreement was signed, and intentionally sent by the Iranian Oil Commission to the *Majlis* shortly before its required adjournment in 1950, thereby offering Parliament a short period by which to debate its terms. However, the public became exasperated when the full terms of the agreement were unveiled and the Iranian government thereby withdrew it.²⁴

In Saudi Arabia, in the summer of 1950, the threat of oil nationalization quickly led the Arabian American Oil Company (Aramco) to agree to a 50-50 profit sharing agreement that yielded a payment of 55 cents per barrel to Saudi Arabia. This

²³ World Bank, 25.

²⁴ *Ibid.*, 28.

development did not go unnoticed in Iran. Following the Saudi Arabian agreement, Aramco made recommendations to AIOC to increase royalties to Iran. The Company, however, deemed this type of concession unnecessary. The AIOC clearly cited its past experience and success in “dealing with” the Iranian government since the inception of the AIOC.²⁵ Britain had no intention of voluntarily providing an equitable solution, as its success in Iranian political control suggested. As public outrage continued to grow, the National Front coalition gained momentum and its leader, Mohammad Mossadegh (1882-1967), found widespread support as Iranians became increasingly frustrated with the British presence.

Mossadegh’s venture into public service to Iran began at an early age. After Mossadegh’s father, who was Iran’s Minister of Finance, passed away in 1892, Mossadegh was made the official accountant of the Iranian province of Khurasan two years later at the age of twelve, where senior accountants provided training and oversight. Mossadegh learned the job quickly and excelled, but eventually resigned from his office in order to commit to his studies full-time.

In his early twenties, Mossadegh was elected to the *Majlis* as a representative of the city of Isfahan. However, as he did not meet the age requirement of thirty years to serve as an parliamentary member, Mossadegh was forced from the *Majlis*, eventually traveling to Europe to protest Britain’s plan to place advisors within Iran’s ministries and military in 1919. In finishing his education, he returned to Europe, studying in the Faculty of Law at the University of Neuchâtel in Switzerland, becoming the first Iranian to receive a doctorate from a European university.

²⁵ Ibid.

When he returned to Iran, Mossadegh returned to public service by accepting appointments in the the ministries of finance and justice, and eventually serving as the Minister of Foreign Affairs. He was re-elected to the *Majlis* in 1923, where a majority of members wished to establish Prime Minister Reza Khan as Shah after the British supported coup against the Qajar dynasty. Mossadegh voiced his concerns with the motion of the *Majlis*, noting prophetically that Iran would be afflicted by Reza Khan's authoritarian tendencies.²⁶

After withdrawing from politics following the establishment of the Pahlavi dynasty with Reza Khan as Shah, Mossadegh re-emerged in the late 1940s as an advocate for the nationalization of the oil industry in Iran. The development of his National Front campaign challenged the existing pattern of imperial exploitation taking place in Iran at the hands of the British. While oil continued to flow from the fields at Abadan, Iranians lived in abject poverty.

The terraced landscaping surrounding the homes of British oil executives, the cafes and shops, the cinemas, pools, and the leather and cigar-smoke infused interiors of the Persia Club and other similar establishments in Abadan were off limits to Iranians. Iranian oil workers were confined to slums, with signs written explicitly in Farsi and placed on the perimeters of the main hubs of British activity, reading: "No Persians Allowed." British oil executives' promises to train Iranian citizens in technical aspects of oil extraction went unrealized as the population was continually used primarily for unskilled labor.

²⁶ Mohammad Mossadegh, "My Entry into the Civil Service and My Education in Iran," in Musaddiq's Memoirs, ed. Homa Katouzian, trans. by S.H. Amin and Homa Katouzian (London: National Movement of Iran), 125.

The platform of oil nationalization thus became the cornerstone of the National Front's movement in the early 1950s. The British soon realized that public support for nationalization of Iranian oil had reached a fever pitch. Consequently, AIOC offered to the Iranian Government an opportunity to receive increased royalties on oil profits.²⁷ This proved to be too little, too late. Public support for oil nationalization had already gained much momentum; in May of 1951, The Oil Nationalization Act was passed by the Iranian *Majlis*. Shortly thereafter, Mossadegh became Prime Minister. British oil technicians and managers left the country swiftly, destroying equipment in departure, and the main oil exportation port in Iran was blockaded by the British. Subsequent military action against Iran loomed as a likelihood. However, President Truman made it clear that he would not support Britain's use of force.²⁸

In May of 1951, the AIOC brought suit against Iran in the International Court of Justice (ICJ) for nationalizing its holdings, citing a violation of the 1933 profit-sharing agreement.²⁹ A report presented to the National Security Council concerning the Iranian situation, based on a draft report prepared by the Department of State, suggested a possible course of action for the United States to take, and was eventually forwarded to President Truman. The report stated that the primary objective of policy in Iran was to prevent the domination of Iran by the USSR, by strengthening Iran's association with the free world and fostering social reform and an expanding economy. Furthermore, the report noted that:

²⁷ World Bank, 29.

²⁸ Francis Gavin, "Politics, Power, and US Policy in Iran, 1950-1953," *Journal of Cold War Studies* 1.1 (1999) : 56.

²⁹ International Court of Justice, *United Kingdom v. Iran*, The Hague, July 22, 1952." <http://www.icj-cij.org/docket/index.php?sum=82&p1=3&p2=3&case=16&p3=5> (accessed March 28, 2013).

A major source of economic stagnation and political discontent in Iran has been the failure of the Iranian Government and the Anglo-Iranian Oil Company to reach an agreement on a supplementary concession agreement. The belief is widespread in Iran that the company is unfairly exploiting the country by refusing to offer reasonable and equitable royalties and its entire operation is resented as a closed corporation exploiting Iranian wealth but beyond the reach of Iranian custom or law... The United States should use its utmost influence to persuade the British to offer, and the Iranian Government to accept, an equitable concession agreement. Failure to reach such agreement carries with it such undesirable consequences that no opportunity should be lost to impart to both governments our senses of urgency in this matter.³⁰

As the position of the U.S. was to act as a mediator at that time, Mossadegh wrote a personal letter to Truman outlining the reasons he felt that nationalization was necessary to stop the effects of imperialism, and assured Truman that there would be no obstruction to the Iranian supply of oil to the United States. In a final section of the letter, Mossadegh cites British action to maintain its powerful grip on the Iranian government:

[British] Secret agents, on the one hand, paralyzed our reform movements by economic pressure, and, on the other hand, on the contention that the country had enormous sources of wealth and oil, prevented us from enjoying the help which was given to other countries suffering from the effects of war... I ask you in fairness, Mr. President, whether the tolerant Iranian people, who, whilst suffering from all these hardships and desperate privations, have so far withstood all kinds of strong and revolutionary propaganda without causing any anxiety to the world, are not worthy of praise and appreciation, and whether they had any other alternative but recourse to the nationalization of the oil industry, which will enable them to utilize the natural wealth of their country and will put an end to the unfair activities of the [Anglo-Iranian Oil] Company.³¹

³⁰ James Lay, Executive Secretary, National Security Council. *NSC 107: A Report to the National Security Council on The Position of the United States in Respect to Iran*. March 14, 1951, 8. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB126/iran521120.pdf> (accessed January 15, 2013).

³¹ Mohammad Mossadegh. *Mohammad Mossadegh to Harry Truman*, July 11, 1951. Letter. From Harry S. Truman Library, *The Oil Crisis in Iran, 1951-1953*. http://www.trumanlibrary.org/whistlestop/study_collections/iran/documents/ (accessed February 25, 2014).

After receipt of this letter, Truman sent Averell Harriman — Secretary of Commerce — to Tehran in July of 1951; at this time it was made clear that the Truman administration adamantly rejected the notion of British military action, and sought to use diplomacy as the sole means of remedy in the oil nationalization situation.³²

In a memorandum from the CIA's office of National Estimates to the Director of Central Intelligence, "Beedle" Smith, Harriman's advances in mediating the oil dispute were noted: the British Government agreed to avoid mention of the ICJ injunction requiring Iran to permit AIOC's operations pending adjudication. Moreover, the British government agreed to accept the "principle of nationalization" as a basis for negotiation, with the Iranian government avoiding "all mention of the 9-point nationalization law which calls for the eviction of AIOC from Iran and the expropriation of all oil installations in Southern Iran." The memorandum also noted that in order for negotiations to be successful, Iran must be allowed 50 percent of oil profits, and Iranians would need to be trained in oil extraction operations.³³

Intelligence analysis of the oil crisis emphasized the fact that the economic situation in Iran, if left unimproved, could prompt Iran to turn to the Soviet Union for assistance; in order to prevent this outcome, the Iranian economic situation would have to be improved. A report prepared by the Department of State, including CIA intelligence information provided by the Joint Chiefs of Staff, was presented by the National Security Council. It noted the importance of successful negotiations between the AIOC and Iran,

³² Sam Sasan Shoamanesh, "Iran's George Washington: Remembering and Preserving the Legacy of 1953," *Massachusetts Institute of Technology International Review*, Spring 2009, <http://web.mit.edu/mitir/2009/online/mossadegh.htm>.

³³ William Langer, *Memorandum for the Director of Central Intelligence, Office of National Estimates, August 3, 1951*, 2. From Harry S. Truman Library, *The Oil Crisis in Iran, 1951-1953*. http://www.trumanlibrary.org/whistlestop/study_collections/iran/index.php (accessed February 25, 2014).

and stated that the Export-Import Bank was considering a loan to Mossadegh's government for general budgetary support, suggesting that the loan "would tend to relieve the pressures upon the Iranian Government for a settlement of the oil controversy and would provide political advantages to Mossadegh himself."³⁴

On July 22nd, 1952, the ICJ declared that the 1933 agreement did not constitute a treaty, and that the court lacked jurisdiction.³⁵ Following this action, the British retaliated with embargoes. With the preceding exodus of British engineers, and a lack of trained Iranian petroleum technicians, oil output in Iran dropped drastically.³⁶ Shortly following the initial embargoes, a plot by the British to overthrow Mossadegh was discovered. All British diplomats were ejected from Tehran.

The Intelligence provided by the Central Intelligence Agency, as well as the multiple reports developed through the NSC, underscored the importance of maintaining an amiable relationship with Iran and to suppress any maneuverings by the USSR to incorporate the country into its sphere of influence. It appeared, then, that the consensus reached by these institutions was in mediating a favorable outcome for both Great Britain and Iran, one which would create an equitable stake in the AIOC's operations, as well as maintaining the West's secure access to oil. As the oil dispute continued and the talks broke down, the U.S. presidential elections were on the horizon.

³⁴ Robbins Gilman, *Steering Group on Preparations for the Talks Between the President and Prime Minister Churchill, January 5, 1952*, 10. From Harry S. Truman Library, *The Oil Crisis in Iran, 1951-1953*. http://www.trumanlibrary.org/whistlestop/study_collections/iran/index.php (accessed February 25, 2014).

³⁵ ICJ, "United Kingdom v. Iran."

³⁶ Shoamanesh, "Iran's George Washington."

Chapter 2

The Development of the Post-War National Security Structure

Prior to World War II, U.S. intelligence capabilities existed disjointedly among the branches of the military and relied heavily on communications intercepts.³⁷ The attack on Pearl Harbor on December 7, 1941 made clear the gaps in U.S. intelligence sharing. The attack by the Japanese remained in planning for eleven months without any clues registered by Naval Intelligence analysts. This marked the first major event that led the the U.S. government to eliminate completely independent intelligence agencies that operated outside of a coordinating body.³⁸

The United States emerged as a superpower following World War II. At this point, tensions were quickly escalating between the Soviet Union and the West; Churchill had delivered his infamous “Iron Curtain” speech on March 5, 1946 in Fulton Missouri, illustrating a divided Europe in which the Soviet Union was continuing to amass influence and control. As Great Britain was bankrupted by war, it thus became clear that the United States, perched at the peak of global power, would have to take the key role as safeguard against the Soviet threat.

At this point, conflict in Greece — left devastated and fractured after years of Nazi occupation — indicated that Greek Communists were in a position to take control of the government and further invite Soviet influence. The Truman Doctrine, a statement of policy intended to spur development that was “free from coercion,” and to

³⁷ National Security Agency: Center for Cryptologic History, *A History of U.S. Communications Intelligence During World War II: Policy and Administration*, 1997. 6.

³⁸ Marvin Leibstone, “Pearl Harbor’s 60 Year Legacy,” *Naval Forces* 22.5 (2001): 73.

apply pressure against Soviet expansion, found its way to Congress.³⁹ Funds were earmarked in response to the Truman Doctrine in order to provide aid to both Greece and Turkey. A shift of policy towards the Soviet Union to containment made clear the need for improved security and intelligence policy. Uncertainty surrounding the Soviet Union's increasing leverage in Europe and Asia made containment difficult. A rethinking of policy towards the USSR necessitated a reform of national security processes and the development of new institutions.

As no formal framework for collaboration in managing national defense and foreign policy was developed during or immediately following World War II, Congress introduced the National Security Bill on March 3, 1947. The act reshaped the organization of existing military and foreign policy institutions, placing command of the military establishments under a single Secretary of Defense, while also bringing into being two new institutions: the National Security Council and the Central Intelligence Agency.

The latter emerged from the Central Intelligence Group (CIG), which itself was created by Truman through executive order shortly following his becoming President in 1946. The CIG was created from remnants of the Office of Strategic Services (OSS), an espionage organization utilized in both the European and Pacific theaters during World War II. By developing the CIG, Truman attempted to ensure "that he personally received intelligence reports on a timely basis."⁴⁰ In addition, the gap in intelligence

³⁹ Harry Truman, *Address Before a Joint Session of Congress, March 12, 1947*. Transcript. From Yale Law School, *Avalon Project on Law, History and Diplomacy*. http://avalon.law.yale.edu/20th_century/trudoc.asp (accessed March 1, 2014).

⁴⁰ Sharad Chauhan, *Inside CIA: Lessons in Intelligence* (New Delhi: APH Publishing, 2004), 498.

sharing between the military branches and the Department of State was evident. In discussing memories of intelligence chasms following World War II, Stephen Ambrose writes:

America could not escape the world, and to be effective in dealing with other countries, the United States had to have a centralized intelligence service, just as it had to have a more centralized military establishment, the Truman Doctrine, and the Marshall Plan. The attack at Pearl Harbor was a surprise because the Army and Navy frequently acted as if they were at war with each other, and because a fragmented intelligence apparatus, dominated by the military, had been unable to distinguish “signals” from “noise,” let alone make its assessments available to senior officers in time for them to act.⁴¹

As Truman fashioned the CIG to report to him regularly on intelligence and global security concerns, the Departments of State and Defense became concerned that the CIG would replicate their intelligence work and eventually take from them their role in intelligence altogether. Nevertheless, the CIG’s reports became the only intelligence briefings that the President received on a regular basis.

While the White House had sought the creation of an expanded Central Intelligence Agency through the National Security Act, concerns remained over the contentious nature of intelligence and who should lead it. Congress remained skeptical of the clauses within the act establishing the Central Intelligence Agency.⁴² Members of Congress raised concerns that it would be dangerous to, “create an organization like the CIA on the basis of an executive directive which could be changed, amended, or

⁴¹ Stephen Ambrose, *Ike’s Spies: Eisenhower and the Espionage Establishment* (Jackson: University Press of Mississippi, 1981), 164.

⁴² Michael Warner, ed. *Central Intelligence: Origin and Evolution* (Washington DC: Center for the Study of Intelligence, 2001), 138.

revoked or anything else at any time.”⁴³ Lawmakers found that they “above all wanted CIA to provide the proposed National Security Council — the new organization that would coordinate and guide American foreign and defense policies — with the best possible information on developments abroad.”⁴⁴ The CIA was not to become a policymaking institution; the purpose of the CIA was explicitly defined within the Act to:

... advise the National Security Council in matters concerning such intelligence activities of the Government departments and agencies as relate to national security; (2) to make recommendations to the National Security Council for the coordination of such intelligence activities of the departments and agencies of the Government as relate to the national security; to correlate and evaluate intelligence relating to the national security, and provide for the appropriate dissemination of such intelligence within the Government using where appropriate existing agencies and facilities: Provided, That the Agency shall have no police, subpoena [sic], law-enforcement powers, or internal security functions... to perform other functions and duties related to intelligence affecting the national security as the National Security Council may from time to time direct.⁴⁵

The National Security Council was created in order to examine foreign policy matters, providing summary reports to the President and improving coordination among the military and the Department of State. Therefore, the Secretaries of Defense and State became two key permanent members alongside the Secretaries of Army, Navy, Air Force, and the Chairman of the National Security Resources Board. The newly-created CIA was expected to operate under direction of the National Security Council; the Director of Central Intelligence became a regular attendee, alongside the Secretary of Treasury, with a secretariat being established to support the Council’s operations.

⁴³ Ibid., 140.

⁴⁴ Central Intelligence Agency, *The Creation of the Intelligence Community*, by Elizabeth Bancroft, ed. Michael Warner (Washington, DC: United States Government Printing Office, 2013), 7.

⁴⁵ U.S. House. 8th Congress, 1st Session. H.R. 2319, *A Bill to Promote National Security*. Washington, Government Printing Office, 1947, (Sec. 102).

The National Security Bill Becomes Law

On July 26, 1947, President Truman signed the National Security Act into law. However, even after signing the National Security Act into law and institutionalizing the information-vetting National Security Council, Truman remained hesitant. Truman did not fully utilize the NSC in the first years after its creation, attending only a fraction of its frequent meetings; Truman, self-assured of his decision making ability as chief executive, did not appreciate Congress' attempt at telling him, through legislation, who should consult him concerning foreign affairs. Even after its inception, Truman continued to take counsel from outside sources on matters of national security and foreign affairs, while also depending on regularly-prepared CIA reports that were delivered directly to him.

Stanley Falk, former Air Force chief historian and professor of international relations at the Dwight D. Eisenhower School for National Security and Resource Strategy, notes:

As a means of emphasizing the advisory role of the NSC, Truman did not regularly attend Council meetings. After presiding at the first session of the Council on September 26, 1947, he sat in on only eleven of the fifty-six other meetings held before the start of the Korean War. In his absence, in conformity with Truman's view that the Secretary of State was the second ranking member of the Council and that the Department of State would play the major role in policy development, Secretary Marshall (and later Acheson) presided... It is quite evident, however, that his absence was aimed at clearly establishing the Council's position with respect to the President and at preventing any apparent dilution of his role as chief executive.⁴⁶

⁴⁶ Stanley Falk, "The National Security Council Under Truman, Eisenhower, and Kennedy," *Political Science Quarterly* 79.3 (1964): 406.

It became clear in the beginning days of the NSC that Truman did not wish for the NSC to become a policy-making organ of the executive. The NSC operated as a situation-review symposium, with particular policy recommendations being made to the President; the final stamp of approval to move on to a particular course of action came directly from the President. Moreover, members of the NSC found themselves initiating questions that were submitted to the President for vetting and final approval before being taken on by the Council for full consideration.⁴⁷ This, in essence, created an environment where no policy decisions were forced upon the President, thus improving the President's comfort with the Council as an advising institution that reserved the last voice on matters for the President, in a manner fitting of "the buck stops here" fashion.

Nevertheless, shortly after the National Security Act brought the CIA into existence under a limited directive, Agency leaders began working towards expanding its operational mandate, the exact mandate that the Truman administration previously restricted in order to ensure confident passage of the Act. The Central Intelligence Agency was able to secure closed hearings of the Senate and House Armed Forces Committees in late 1947. Roscoe Hillenkoetter, the first Director of Central Intelligence, spoke before the committees, urging legislation be created — given rising tensions between the West and the Soviet Union — in order to allow the Agency to use funds for covert operations, ultimately allowing the CIA to be exempted from open budgets that other agencies were bound to. If enacted, the legislation would allow the CIA to operate

⁴⁷ Anna Nelson, "President Truman and the Evolution of the National Security Council," *The Journal of American History* 72.2 (1985): 368.

outside of the boundaries of government expenditure laws, with the functions, names, salaries, and number of CIA personnel exempt from federal disclosure law.⁴⁸

However, a full vote did not take place before Congress adjourned, and the bill was reintroduced in early 1949. By this time, strained relations between the U.S. and the Soviets reached a new level; the USSR had positioned blockades on all ground routes between Berlin and the Western occupation zones in Germany. Western Allies answered this development with airlift operations. Therefore, mounting pressure between the West and the Soviet Union increasingly suffused all foreign policy talks within the government. Consequently, a vote to give the Agency the ability to use appropriated funds in order to direct and execute its activities outside of public view took place. The Senate passed the Central Intelligence Act in 1949 unanimously; the vote passed the House 348-4.⁴⁹

With reins on funds appropriation loosened by the CIA Act, the Agency began to pour money into European elections to counter Moscow's own subsidizing of socialist parties there.⁵⁰ Most notable of these interventions was that of the Italian elections of 1948. Blatant Soviet financing of the Italian Communist Party led the CIA to both provide funds and produce campaign materials for the Christian Democrat Party, interventions that ultimately secured the party a sweeping victory in the elections.⁵¹ CIA operations of this nature continued in Europe in reaction to direct Soviet interference in elections, and represented operational efforts of the CIA that fell directly in line with

⁴⁸ Warner, 141.

⁴⁹ Ibid., 143.

⁵⁰ Ambrose, 168.

⁵¹ Charles Fenyvesi, Victoria Pope, Warren Strobel, and Christian Caryl, "Cold Warriors' Untold Tales," *U.S. News & World Report*, October 18, 1999, 59. 58-62.

containment policy and the United States' overarching Cold War national security strategy.

In the fall of 1950, Truman selected Walter Bedell "Beedle" Smith, chief of staff under Eisenhower at the Allied Forces Headquarters, to follow Hillenkoetter's appointment as Director of Central Intelligence. Smith, a staunch anti-communist, was named Director in order to quell accusations that Communists had infiltrated the Agency during the House Un-American Activities Committee's fervent attempts to root out Communists in America. Shortly after his appointment, Smith brought Allen Dulles, a former diplomat and head of the Swiss OSS mission during World War II, as deputy director of central intelligence. Under Smith and Dulles, the operational capacity of the CIA increased greatly.⁵²

The successes and the failures of the Agency's operations were mostly contained within the Agency itself, but the fact that these operations were taking place, during the last few years of the Truman administration, was known by Truman and his senior advisors. Truman, constantly engaging with issues of Communist expansion, looked forward to his weekly intelligence and NSC reports, maintaining them as an anchor point for his foreign policy decision making.

Truman and the Candidates' Intelligence Briefings

Before the presidential elections of 1952, Truman determined that the presidential candidates should be fully informed of current foreign affairs and thus invited Republic candidate Dwight Eisenhower and Democratic candidate Adlai

⁵² Ambrose, 176.

Stevenson to the White House in order to meet with Central Intelligence officials for a briefing of foreign situations. Truman's rationale in providing this briefing — given the Soviet Union's continuing efforts to expand its influence — was that the President of the United States carried more power than ever before. To Truman, it was now necessary that Presidential transitions take place without hiccups in foreign policy and security.⁵³

Truman's invitation did not sit well with Eisenhower. He declined, noting that he did not wish to receive information that the average American did not have access to, further indicating that the foreign "problems" which Truman wished for the CIA to brief him with were ones in which he was well versed. Eisenhower, having served as Supreme Allied Commander, felt he had both an intimate knowledge of foreign affairs and would prefer staff work over written reports, much as he had done in the European Theater. However, Eisenhower, in a final note to Truman, accepted the invitation to receive the CIA's weekly intelligence reports, but noted that it would not limit his discussion, selection, or analysis of foreign issues.⁵⁴

With stress building between Eisenhower and Truman over the politics surrounding the briefing invitation, "Beedle" Smith, having built a relationship with Eisenhower as his chief of staff during World War II, reached out directly to Eisenhower. Thus, Eisenhower agreed to weekly briefings with the the Director that continued into his assumption of the Presidency. Eisenhower rejected the CIA's written reports that Truman enthusiastically received. The new President preferred briefings in person, by the Director of Central Intelligence Agency in the forum of the National Security Council.

⁵³ Chauhan, 451.

⁵⁴ Ibid., 452.

Truman had previously kept the NSC at arm's length, and personally assessed situations for further review; Eisenhower fully embraced the organization, and did not miss weekly NSC meetings.

As former Supreme Allied Commander in Europe, his background led him to rely on policy directions provided by the NSC and its members. Intelligence, diplomacy, and military reports were often combined in order to create a broad outline of foreign situations and policy options for oral briefing to the President. These briefings also provided updates on the CIA's covert operations. Two brothers, Secretary of State John Foster Dulles, and the now promoted Director of Central Intelligence, Allen Dulles, became instrumental in redefining the NSC as a policy-making institution, and building the operational capacity of the CIA.

Chapter 3

NSC Development and the U.S. Response to the Iranian Oil Crisis

After assuming the Presidency, Eisenhower — having criticized Truman during his presidential campaign for under-utilizing the NSC — formalized the Council’s policy formulation procedures.⁵⁵ To Eisenhower, the NSC represented a crucial institution for policy making, one that was essential for further developing productive Cold War strategy. In his reorganization, the NSC’s Planning Board (made up of senior planning officials from the departments and agencies represented in the NSC) created a framework for providing to the Council members strategic analyses on perceived threats and the U.S.’s national interests related to those threats.

Eisenhower believed that this process of developing analyses and briefing Council members gave “coherence and consistency to operational decisions.”⁵⁶ With Council members being briefed from well-prepared analytical reports, deliberation would take place in NSC meetings, allowing each member to voice his or her own discrete stance on best courses of action. After being advised by NSC members, the ultimate decision on which course of action rested with the President.

With the formalization of processes and creation of an enlarged permanent staff, an expansion of the national security bureaucracy took place. In discussing Eisenhower’s move to instill the NSC with greater authority, Stanley Falk writes:

[Eisenhower] did this by formalizing, developing, and expanding the structure and procedures of the NSC and in effect creating an NSC

⁵⁵ Falk, 418.

⁵⁶ Robert Bowie, “President Eisenhower Establishes His National Security Process” in *Triumphs and Tragedies of the Modern Presidency: Seventy-Six Case Studies in Presidential Leadership*, ed. David Abshire (Westport: Praeger Publishers, 2001), 153.

system of which the Council was itself the primary but by no means the most significant portion. The NSC system consisted of the central Council supported by a grid of highly standardized procedures and staff relationships and a complex interdepartmental committee substructure.⁵⁷

In this new structure, agencies and departments prepared policy recommendations that traveled to the Planning Board, responsible for review, polishing, and collating of interdepartmental recommendations. From this point, recommendations were delivered to NSC members for consideration. Once a Presidential decision on a policy action was made, the Operations Coordinating Board took responsibility for implementation.

Thus, Eisenhower clearly defined a framework for the NSC; this structure, however, was supported only by implementing an enlarged bureaucratic element that increased difficulty in preparing briefing reports. With the enlargement of this newly re-defined institution came a tendency for NSC staff and related Council members to push the view of their respective department or agency. The result was a Council “straining mightily to produce not clear-cut analyses of alternate courses, but rather compromise and a careful ‘plastering over’ of differences.”⁵⁸

The NSC was developed by Eisenhower to become an effective policy-making institution in national security affairs, allowing for a competition of ideas among his advisors. Instead, the NSC fostered a system in which compromise among departmental points-of-view left the President with diluted reports that increasingly generalized developments abroad. The deference to diplomacy that dominated during Truman’s administration thus became deference to an organization that sought to find agreement among multiple interests within the Cabinet Departments. Within this

⁵⁷ Falk, 418.

⁵⁸ Falk, 424.

organization, one member, Secretary of State John Foster Dulles, became particularly influential as Eisenhower's chief foreign policy advisor.

John Foster Dulles and the Bipolar World

By the time he became Secretary of State in January of 1953, Dulles had become an exceptionally vocal critic of Truman's containment policy. In a *Life* magazine article that became famous as the pinnacle of Dulles' rebuke of Truman's foreign policy, Dulles wrote:

Since 1945, when World War II fighting ended, the Soviet Communists have won control over all or parts of 12 countries in Asia and Central Europe with populations of about 600 million. Our present policies will never end the type of sustained offensive which Soviet Communism is mounting; they will never end the peril nor bring relief from the exertions which devour our economic, political and moral vitals. Ours are treadmill policies which, at best, might perhaps keep us in the same place until we drop exhausted.⁵⁹

To Dulles, Truman's policies, reactive in nature, were insufficient as defense against the constant threat of Soviet influence. In addition, Dulles viewed the maintenance of a large conventional military force to extinguish Soviet "brushfires" as being costly, and unsustainable⁶⁰

The role of the State Department within the National Security Council changed considerably with John Foster Dulles's appointment as Secretary of State. Immediately, Dulles took a position of dominance over other cabinet members within the NSC on foreign affairs; Eisenhower and Dulles maintained a mutual understanding, with Dulles

⁵⁹ John Foster Dulles, "A Policy of Boldness," *Life*, May 19, 1952, 5.

⁶⁰ Richard Immerman, *John Foster Dulles: Piety, Pragmatism, and Power in U.S. Foreign Policy* (Wilmington: Scholarly Resources, 1999), 39.

perceiving much support from Eisenhower on issues concerning Communist expansion.⁶¹ Dulles quickly became Eisenhower's closet advisor.

Dulles was a resolute anti-Communist, seeing a bipolar world comprised of states that were either in line with the "free world" or under the influence of the Soviet Union.⁶² He had spent his career as an international corporate lawyer for the distinguished international law firm Sullivan & Cromwell; a career working for the world's largest corporations led him to despise every concept linked to Communism, treating it as an evil that had come to plague the world. In a commencement speech made at Union College in 1948, Dulles described Communism as seeking change in the world in ways that were "evil and self-defeating," and noted that the institutions of free societies stood now on the defensive, soon to be devoured by Communism if only the status quo was embraced.⁶³

Dulles's position as Secretary of State made him the principal voice on foreign policy matters, unchallenged in his role as chief foreign policy advisor to the President. Eisenhower, while appreciative of Dulles' candid demeanor within the NSC, reserved final decision making on policy matters. The relationship between Dulles and Eisenhower, in addition to Dulles's prominence in the NSC, made it clear that Dulles's views on a proactive approach to curbing Communism's reach became a cornerstone of Eisenhower's overall Cold War Strategy. Therefore, with a blurring of lines among departments and agencies when it came to developing policy papers for the NSC and

⁶¹ Ibid, 49.

⁶² "Foreign Policy Under President Eisenhower," US Department of State: Office of the Historian. <https://history.state.gov/departmenthistory/-/history/eisenhower> (accessed April 14, 2013).

⁶³ John Foster Dulles, "The Meaning of Freedom" (Commencement Speech, Union College, Schenectady, NY, June 13, 1948).

subsequent presidential review — and with Dulles’s forceful anti-Communist nature and strong position within the Council — the Iranian oil crisis was seen through the lens of Communist expansion, and therefore marked a direct threat to U.S. national security.

Overthrowing Mossadegh

On March 20, 1953, a progress report on a policy adopted during the last days of Truman’s Presidency concerning the crisis in Iran was sent to the National Security Council, complete with recommendations for an adaptation of the policy. Paragraph 5-a of NSC 136/1, the policy adopted under Truman, stated:

In the event of either an attempted or an actual communist seizure of power in one or more of the provinces of Iran or in Tehran, the United States should support a non-communist Iranian Government, including participation in the military support of such a government if necessary and useful... Preparations for such an eventuality should include; a. Plans for the specific military, economic, diplomatic, and psychological measures which should be taken to support a non-communist Iranian Government or to prevent all or part of Iran or adjacent areas from falling under communist domination.⁶⁴

Again, analysis of the Iranian socio-economic situation during Truman’s administration suggested that Iranian Communists would seize power and turn to the Soviet Union if the situation on the ground was not improved. This notion, combined with Truman’s reactive policies towards Soviet expansion, created a policy that would authorize a subversive action *only* at the point of attempted or actual Communist seizure of power in Iran. Thus, clandestine action would be an option of last resort.

⁶⁴ Department of State, Memorandum for James Lay, Executive Secretary, National Security Council, *First Progress Report on Paragraph 5-a of NSC 136/1, “U.S. Policy Regarding the Present Situation in Iran.”* March 20, 1953, 1. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB126/iran530320.pdf> (accessed March 5, 2014).

The progress report, however, expanded the mechanism for covert action. A working group of representatives from the Department of State, CIA, and Joint Chiefs of Staff suggested that a Communist takeover most likely would develop “imperceptibly,” therefore making preemptive paramilitary, diplomatic, and psychological operations imperative.⁶⁵ The foundation for clandestine forestalling in Iran was set.

As the option for overthrow now became relevant, a Top Secret memorandum produced by the Department of State, also in March of 1953, made proposals for courses of action to take after a hypothetical coup against Mossadegh. Interestingly, in what seems like a reiteration of previous intelligence supplied under the Truman Administration, the memo made clear that Iranians would not stand for a return to foreign control. The report notes “it would literally be fatal to any non-communist successor to [Mossadegh] if the Iranian public gained an impression that the new premier was a ‘foreign tool.’”⁶⁶ Furthermore, the report states that the U.S. government should “avoid any statement that the oil situation is involved in a change of government in Iran. It is important that neither the U.S. nor the U.K. Governments should rejoice publicly over expectations of a more reasonable Iranian attitude towards solution of the oil problem.”⁶⁷

The view that the general will of the Iranians was to to be free of foreign control did not escape the U.S. Government; reports released by individual departments and agencies, specifically the CIA and Department of State, perceived this clearly.

⁶⁵ Ibid., 3.

⁶⁶ Department of State, Memorandum, *Measures Which the United States Government Might Take in Support of a Successor Government to Mosadeq*, March 1953, 1. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB126/iran530300.pdf> (accessed March 5, 2014).

⁶⁷ Ibid., 3.

Nevertheless, this notion was not absorbed by the expanded national security structure, which sought instead to focus on active policy against the perceived Soviet threat.

Iranian nationalism was mistaken for Soviet influence.

After the breakdown of oil negotiations in Iran, John Foster Dulles became exceedingly worried that Iran would be lost to the Soviets. Immediately, Allen Dulles, John Foster's brother who was recently promoted to head the CIA following "Beedle" Smith's departure and subsequent move to the State Department, sought to carry out Mossadegh's overthrow. The plan was initially brought to him by the CIA's chief Middle East operative, Kermit Roosevelt, grandson of former President Teddy Roosevelt. The coup was originally designed by the British following the end of oil talks and brought to Roosevelt in an attempt to gain CIA support and assistance.

Allen Dulles set up a meeting at John Foster's office in the Department of State on June 25, 1953. Roosevelt arrived to find John Foster thrilled with the idea of a coup against Mossadegh. In his memoirs, Roosevelt notes that John Foster commented excitedly "so this is how we get rid of that madman Mossadegh!"⁶⁸ It was at this point that the concept of "positive" Cold War policy steadily developed by the NSC could be realized in an operational manner.

Allen Dulles understood his brother's bipolar view of the world, and that the plan of a coup against Mossadegh would meet his approval.⁶⁹ The plan was modified to allow the CIA to run the operation, with British Secret Intelligence Service operatives taking a secondary role. Furthermore, the new plan sought to make General Zahedi, a

⁶⁸ Kermit Roosevelt, *Countercoup: The Struggle for the Control of Iran* (New York: McGraw Hill, 1979), 9.

⁶⁹ Immerman, 67.

vocal anti-British and fervent anti-Communist Iranian soldier, the prime minister in order to ensure the operation was only tied to a greater Cold War strategy and not to British imperialist intentions.⁷⁰ Operation TPAJAX was thus given final approval. Efforts to secure the ouster of Mossadegh began taking shape in the summer of 1953.

Immediately, the CIA began running a psychological campaign against Mossadegh in Iran. Articles were planted in Iranian newspapers that illustrated Iranian society, one of “gentle people with a wonderfully rich culture,” as now being destroyed by the dictator Mossadegh and his allegiance to the *Tudeh* party.⁷¹ Another propaganda article placed in an Iranian newspaper accused Mossadegh of instituting within Iran a “vast spy network.”⁷²

Furthermore, the CIA worked towards securing the full support of the ineffectual Shah of Iran, Mohammad Reza Pahlavi, in writing a *firman* (royal decree) dismissing Mossadegh from his position as Premier. The Shah remained hesitant to sign the document, fearing that a failure in ousting Mossadegh (and a public perception of foreign intrigue) would result in a popular revolt against him. The CIA deemed the *firman* necessary to the operation; without the written declaration of the Shah requesting the removal of Mossadegh, Mossadegh’s arrest would undoubtedly be viewed as illegitimate and have deleterious consequences. After a series of meetings with his strong-willed sister, Princess Ashraf, and General Norman Schwarzkopf, the reluctant

⁷⁰ Ibid.

⁷¹ Central Intelligence Agency, Propaganda Commentary, “Our National Character.” Undated. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB435/> (accessed February 28, 2014).

⁷² Central Intelligence Agency, Propaganda Commentary, “Mossadeq’s Spy Service” Undated. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB435/> (accessed February 28, 2014).

Shah was persuaded to sign the *firman*, marking for the arrest of Mossadegh to take place on August 15, 1953.⁷³

Another report produced by the Department of State and delivered just days prior to the first coup attempt demonstrates the widening communication gaps and watering down of information provided through the NSC. The memo asserts that the very instrument that the Soviet Union could use to exercise political control of Iran, the *Tudeh*, was too weak in its present state to seize power: "It is unlikely that a coup d'état by Mosadeq's opponents among the former governing groups or by the Tudeh Party would be attempted because neither is sufficiently strong or well-organized to attempt a coup."⁷⁴ That this report was produced at the same time the coup against Mossadegh was being orchestrated is of no small importance. It demonstrates lack of coordination and failure to disseminate analyses, both of which are objectives that facilitated the creation of the NSC and CIA.

However, the first efforts at ousting Mohammad Mossadegh failed; Mossadegh learned of the plot early, and Imperial Guard troops dispatched to arrest him were met with army veterans loyal to Mossadegh, who in turn arrested the colonel put in charge of the arrest. The Shah quickly learned of this, and fled from his home on the Caspian Sea to Baghdad.⁷⁵ However, U.S. and British clandestine operatives, reluctant to accept defeat, pushed forward.

⁷³ Donald Wilber, *After-Action Report, March 1964*, 10. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB28/1-Orig.pdf> (accessed February 25, 2014).

⁷⁴ Department of State, Memorandum, *Proposed Course of Action with Respect to Iran, August 10, 1953*. From The National Security Archive. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB126/iran530810.pdf> (accessed March 5, 2014).

⁷⁵ Kinzer, *All the Shah's Men*, 15.

On August 19, a massive protest sprang up in the streets of Tehran. The protesters, many of whom were known members of Tehran's underworld, were paid by the CIA to take to the streets to protest Mossadegh, chanting "Long live the Shah" and "Death to Mossadegh." The fervor continued to build, and the protest turned violent; soon, troops loyal to the Shah clashed with guards charged with protecting Mossadegh. Eventually, the Shah's troops entered Mossadegh's home and arrested him. General Zahedi was made prime minister and the Shah returned from Baghdad, his private jet being met with fanfare at the airstrip in Tehran. Mohammad Mossadegh spent three years in jail, was tried, and eventually sentenced to house arrest in Ahmadabad, where he died in March 1967.

Lessons learned during World War II necessarily led the United States to improve its intelligence capabilities; post-war Soviet expansion prompted the United States to further develop a national security strategy and its related institutions. The CIA thus emerged as a response to the rapidly expanding Cold War, and became the centerpiece for maintaining a defense against the Soviet Union's ever-increasing influence in Europe and Asia. Similarly, the NSC became a point of central coordination and education for the President to make well-informed decisions in a rapidly changing foreign policy environment marked by shifting power dynamics. However, these measures to solidify the United States' position against the Soviet Union did not come without costs.

The price of implementing a security strategy through these institutions came at the cost of diplomacy. The expanding size of the NSC, and the dilution of policy recommendations for the sake of reaching compromise among competing departmental

views, restricted the ability of the President to view distinct options for addressing foreign policy issues. Therefore, “active” policy against Communist proliferation took center stage. With the National Security structure institutionalized, the crisis in Iran represented an opportunity to preempt Soviet influence in the Middle East.

The CIA, undertaking the lead on Operation TPAJAX through its operational mandate, aligned what was regarded as a high-level national interest (preventing the spread of Communism to Iran) with its institutional interest in further increasing its capacity to engage in covert operations. From the Agency’s perspective, a consensus among officials in Washington that a coup against Mossadegh (an offensive action) represented the best defense against the Soviet Union thus delivered a *de facto* recognition of the CIA as a primarily operationally-based organization, with analysis assuming a secondary role.

The CIA had engaged in covert operations prior to the 1953 coup against Mossadegh; however, none had been of the scale that Mossadegh’s ouster embodied. The speed with which the Agency responded to the original coup failure was remarkable; immediately, the Agency put into motion a second round of actions to eventually lead to Mossadegh’s arrest. Shortly after the Shah’s return to Tehran, the CIA implemented a state security training program, led by General Norman Schwarzkopf, which led to the creation of the National Organization for Intelligence and Surveillance, known by its Persian acronym SAVAK. In this, the CIA attempted to protect the success of its previous operation by further entrenching itself in the politics of Iran. The SAVAK soon became infamous not only for its massive surveillance system, but also for its extensive use of torture of political dissidents in the multiple prisons that

it maintained throughout Iran.⁷⁶ Success in overthrowing Mossadegh effectively reduced analysis to a secondary role within the CIA.

Thus, the Iranian oil crisis created a testing field for the CIA to engage in pre-emptive covert action. This is not to say that the NSC and the CIA did not perceive the threat of Communist takeover in Iran as real. However, with the NSC's effectiveness as a forum for considering courses of action limited, a response tailored to the situation on the ground in Iran was not likely. The nuances of the nationalization movement in Iran and its relationship to British oil exploitation were not perceived fully by the NSC, which was lost in bureaucratic inefficiency and distracted by the threat of losing yet another state to the USSR.

⁷⁶ Amir Taheri, *The Unknown Life of the Shah* (London: Hutchison, 1991), 156.

Chapter 4

CIA: Embracing the Operational Mandate

The perceived success of the coup against Mohammad Mossadegh, and the re-installation of the Shah, gave credence to the CIA's potential for planning and subsequently effecting political change in defiance of the USSR. To Eisenhower, covert operations represented a cost-effective method of meeting the Soviet threat, in line with his "New Look" policy that favored a nuclear arsenal as another cost-effective military deterrent. Clandestine subversion was fully embraced by the Dulles brothers as well.

National Security Council paper 162/2, approved by Eisenhower on October 30, 1953, approximately two months after Mossadegh's ouster, described the third world as a conglomeration of social and political problems: rising nationalist feelings, anti-imperialist sentiment, conflicting social philosophies, and overall political instability. The report noted that these factors could not be addressed by U.S. economic assistance alone.

In a compelling sentence concluding the report's section on the "uncommitted areas of the world" question, the report states "constructive political and other measures will be required to create a sense of mutuality of interest with the free world and to counter the communist appeals."⁷⁷ The view of a volatile third world hanging delicately in the balance between the "free world" and Communist interests, combined with the outcome met in the Iranian proving ground, developed confidence in the national security structure that a further building of its covert repertoire was the key to successful

⁷⁷ James Lay, Executive Secretary. *NSC 162/2: A Report to the National Security Council on Basic National Security Policy, October 30, 1953*. 14. From The Office of the Historian, U.S. Department of State. <http://history.state.gov/historical-documents/frus1955-57v19/d4> (accessed March 5 2014).

national security strategy. Following the Iranian action, another democratically-elected leader caught the attention of U.S officials: Jacobo Árbenz Guzmán.

Árbenz, a former Guatemalan military officer elected President in 1951, engaged quickly in socio-economic reforms to recondition the repressive, brutal environment left by the military dictator Jorge Ubico. Among these were agrarian reforms that worried the United Fruit Company, an American corporation that maintained banana plantations on land given to it by Ubico. While the taking of uncultivated land from United Fruit Company did not “constitute a direct security threat to the United States,” the CIA and NSC members viewed it with alarm and as a situation that would eventually lead Guatemala to become a client state of the Soviet Union.⁷⁸ With the memory of the Mossadegh coup still fresh, the CIA engaged in paramilitary and psychological operations in Guatemala. Pre-coup operations, code-named PBSUCCESS, were thus rolled out and Árbenz was removed from power on June 27, 1954.

Nick Cullather, given access to classified PBSUCCESS operational records, produced a historical narrative for the CIA’s internal history staff, which was declassified in 1994. He wrote:

Students of the 1954 coup also question the nature of the “success” in Guatemala. The overthrown Arbenz government was not, many contend, a Communist regime but a reformist government that offered perhaps the last chance for progressive, democratic change in the region. Some accuse the Eisenhower administration and the Agency of acting at the behest of self-interested American investors, particularly the United Fruit Company. Others argue that anti-Communist paranoia and not economic interest dictated policy, but with equally regrettable results... CIA officials participated in the process that led to the approval of PBSUCCESS, but as

⁷⁸ Gerald Haines, “CIA and Guatemala Assassination Proposals, 1952-1954 history,” CIA History Staff Analysis, 1997, 3. From The National Security Archive, *Guatemala*. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB4/docs/doc01.pdf> (accessed March 8, 2014).

their papers show, they often had little understanding of or interest in the motives of those in the Department of State, the Pentagon, and the White House who made the final decision.⁷⁹

Just as the Anglo-Iranian Oil Company's interference in Iran's internal politics eventually led to an atmosphere of social unrest and ultimately an attempt to nationalize the oil industry, so did United Fruit Company's connection to the Guatemalan dictatorship pave the way for popular uprising and an attempt at social reform. Both of these situations involved what was perceived as an assault on private property during a time of heightening tension in the Cold War, and ultimately led the U.S. to fear the worst: that social reform would invite Soviet influence.

Nevertheless, the striking component of PBSUCCESS, as noted by Cullather, was that the CIA did not maintain an interest in or concern itself with a deep-level comprehension of the motives of the other members of the NSC. Thus, an agency originally charged with the coordination of U.S. intelligence activities and analysis of open-source intelligence fully made the transition to intelligence analysis for the purpose of orchestrating operations; the NSC, intended to promote a competition of ideas among departments and agencies to facilitate best courses of action, became a clearinghouse for uniform and weakened policy recommendations. Nevertheless, the CIA, with a greatly expanded operational capacity and recent history of success, failed dramatically seven years later; an invasion force of Cuban-exiles directed to overthrow Fidel Castro — funded and organized by the CIA — met with disaster at the Bay of Pigs. After this

⁷⁹ Nicholas Cullather, "Operation PBSUCCESS: The United States and Guatemala, 1952-1954." CIA History Staff Analysis, 1994, 12. From The National Security Archive, *Guatemala*. <http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB4/docs/doc05.pdf> (accessed March 8, 2014).

failure, the CIA continued to launch efforts to assassinate Castro, but none met with success.

Aftermath in Iran

In Iran, the initial success of the nationalistic movement undertaken by Mohammad Mossadegh represented a grand alignment of Iranian interests that sought to finally free Iran from the reins of foreign control. With the shifting and expansion of the U.S. national security structure, as well as the distortion of intelligence that followed, the United States undertook a covert operation that placed it squarely within the void left by the British. The government of Mohammad Reza Shah operated in accordance with U.S. interests.

The connection of the United States to human rights abuses in Iran did not go unnoticed. Both Amnesty International and the International Commission of Jurists (ICJ) brought to light the brutality occurring at the hands of the SAVAK. In a hearing before the Subcommittee on International Organizations of the House of Representatives in 1976, ICJ member William Butler highlighted the pervading reach of the SAVAK within Iran during his testimony. Donald Fraser, chairman of the subcommittee, noted that:

Iran is one of the major recipients of military cash sales. This subcommittee is concerned with the status of human rights in Iran with particular regard to section 502B of the Foreign Assistance Act, which prohibits security assistance to any government committing gross violations of human rights, unless there are extraordinary circumstances justifying the assistance.⁸⁰

⁸⁰ Human Rights in Iran: Hearing before the Subcommittee on International Organizations of the Committee on International Relations, House of Representatives, 94th Congress 2 (1976) (Statement of William Butler, International Commission of Jurists).

After the Shah's return to power following the coup against Mossadegh, the U.S. began providing military assistance and further training for Iran's internal security forces.

Brutality at the hands of the Shah was facilitated by U.S. assistance. Political dissidents were tortured and imprisoned. Cycles of poverty continued underneath the banner of the Shah's decadence, and attempts at rapid Westernization led the Shah to be seen as anti-Islamic. These developments had their consequences. The storming of the U.S. Embassy in Tehran in November 1979, and the subsequent hostage crisis, were a product of the Islamic Revolution, and fundamentally, of foreign interference. Had coordination and dissemination of counter-balancing views in the U.S. government taken place, perhaps the United States would have been wary of taking the precarious place the British previously occupied.

Conclusion

The National Security Council and the Central Intelligence Agency were constructed as a prescription for limitations discovered during World War II, and as an answer to Soviet expansion. However, the question of possible Soviet interference in Iran was met hastily with an operational response, thus raising the question of how a change in these new institutions led to a significant shift in foreign policy towards Iran. This response accordingly cemented operations as a primary mandate for an intelligence agency whose very creation was intended to improve analysis. Examining what caused a shift in national security policymaking and overall responses to the Soviet threat can thus shine a light on how the institutions that led to Mossadegh's coup informs national security policy to this day.

After Great Britain gained majority ownership of the Anglo-Iranian Oil Company, it quickly took measures to consolidate its power in Iran so as to secure total and uninterrupted control of its oil supply; this was necessary in the eyes of the British to maintain its stance of power in the world. The fact that the British were manipulating Iranian politics to serve their ends did not escape Iranian memory. However, the conclusion of the Second World War saw a shift in power dynamics and the emergence of the Cold War, situating the U.S. and the Soviet Union as competing powers in a bipolar world. As the framework for developing National Security policy was expanded within the Cold War context, distortions and withholdings of existing information took place, prompting the United States to undertake a drastically different type of covert operation against Mossadegh: the coup d'état.

The fact that the NSC and the Intelligence Community authorized and implemented covert action prior to the coup is not in dispute. The CIA's role in performing covert actions was implied in the Act that created it. The CIA was created primarily to coordinate and disseminate intelligence, with a secondary operational mandate. However, the creation of new structures within the NSC, leading to its subsequent expansion, tempered the voices of the departments and agencies represented.

Conflicting ideas among those that informed NSC policy recommendations led to a system of compromise that reduced the President's ability to see the complexities inherent in foreign developments. Thus, the "go ahead" to overthrow Mossadegh was given without attention to the intricacies of the Iranian situation that had long been identified within the individual departments and agencies represented in the NSC. With the green light given through the NSC on clandestine operations against Mossadegh in Iran, a new precedent was set, distorting the role of the CIA in the grand strategy of the United States. Operations became the principal tool of the CIA and of U.S. security strategy, with analysis taking a secondary role. This is evident in the years that followed, as the coups undertaken in Latin America demonstrate. The Mossadegh coup is the point where the U.S. security structure was altered completely, raising the question of how these developments inform the current national security strategy in place today.

The CIA's operational tempo has not declined, but in fact expanded. The Cold War has ended, but the United States' expanded security institutions have found a new

covert battlefield: the Global War on Terror. In the same manner that the Cold War shaped and enlarged the United States' National Security structure, so has the Global War on Terror encouraged a continued broadening of that structure. The NSC has become a substantial bureaucratic machine, and operations are at the core of the Intelligence Community's mindset.

Therefore, the ability of these institutions to preserve national security are consequently viewed through the lens of individual successful operations — whether orchestrated coups or targeted killings of al Qaeda members via drone strikes — and not by its ability to analyze political, social, and economic events and their fundamental meaning to U.S. security interests. This, in essence, creates an environment of non-security and questioned legality. While short-term successes may be achieved through these means, the long-term effects — as well as the possibility of creating an environment precipitating perpetual cycles of political violence — have not been addressed.

Furthermore, an expansion of secrecy occurs in unison with the expansion of intelligence operations. The notion that the government must maintain a certain degree of secrecy in the performance of its intelligence functions is beyond question; this is justified for the ends of national security. However, it is the government's expansion of secrecy in the name of national security that is ultimately detrimental to the transparency required for successful national security policy. Ironically, the growth in this system has prompted a deterioration in coordination and intelligence sharing. Organizations within the Intelligence Community are reluctant to share information both

horizontally and vertically, thus creating a system that replicates and withholds intelligence.⁸¹ The very reasoning behind the creation of these organizations has been obscured following its expansion.

Perhaps a reduction in the size of the system (though politically difficult) will facilitate a return to transparency that will make it easier to determine the overall efficacy of clandestine operations, as well as a return to proper coordination and sharing of open-source intelligence. However, at present, it appears that the further growth of these organizations is inevitable.

⁸¹ Richard H. Immerman, "Transforming Analysis: The Intelligence Community's Best Kept Secret," *Intelligence and National Security* 26.2 (2011): 164.

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