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The Anglo-Persian Oil Dispute 1932–33

Peter J. Beck

The expanding use of petroleum products in the twentieth century, increased the significance of such areas as the Middle East and also led to the rise of the international oil companies. Oil has, therefore, been an important determinant of relations between the great powers on the one hand and countries like Iran on the other. This development has been accompanied by increased government involvement in oil affairs as well as by closer co-operation between government and big business, a trend already apparent during the inter-war period when the British government was drawn into a dispute between the Anglo-Persian Oil Company (APOC) and the Persian government during 1932–33. A more serious dispute arose in 1951 when the Anglo-Iranian Oil Company (AIOC) was nationalized.¹ The British government refused to recognize the nationalization decree and claimed that the existing concession agreement could not be renounced unilaterally. The question embraced far more, however, than the interests of a British company and the sanctity of international law; Britain's whole standing in the Middle East appeared to be at stake especially in view of the support given to Iran by the Arab states and Russia. In spite of this Britain rejected a forceful solution, relying upon a diplomatic settlement and the resumption of negotiations. An agreement

¹ The Anglo-Iranian Oil Company was known as the Anglo-Persian Oil Company until 1935, the year in which Persia became Iran. Although the company was active in other areas of the world, Persia was still, in 1935, the principal scene of its operations. In 1954 the AIOC was re-named the British Petroleum Company.

CONTEMPORARY HISTORY

was eventually reached in 1954, an arrangement based upon the recognition of the nationalization decree and the establishment of an international consortium, which included the AIOC, to control the principal oil-fields and the refinery at Abadan. The AIOC gained a 40 per cent share in the consortium, while the Iranian government was to receive one half of the consortium's profits. Although the Security Council was addressed by the disputants, the United Nations only played a marginal rôle in a dispute which involved two of its members, while the International Court ruled that it possessed no jurisdiction in the matter. However, it might be argued that the existence of the United Nations, together with the need neither to antagonize the USA nor to encourage Russian intervention, influenced Britain's decision to rely upon a pacific solution to the dispute.

The concession agreement which Britain accused Iran of violating in 1951 had been concluded in 1933, that is, after a similar dispute had arisen between Persia and the APOC. In this earlier quarrel, the British government, in supporting the interests of a British company, had exercised a similar restraint in not resorting to force, although then, as will be shown, a greater rôle was assigned to international organization and this enabled a settlement to be negotiated under the auspices of the League of Nations. It will be useful, however, to preface an analysis of the factors which influenced the course of events in 1932–33 with a brief discussion of the background to the dispute. In May 1901 an Australian, W. K. D'Arcy, gained the concession to prospect for oil in Persia for a period of sixty years, while in 1909, after the discovery of oil in commercial quantities, the APOC was registered to take over the concession and it was agreed that the Persian government would receive 16 per cent of the company's net profits.² Then, in May 1914, the British government purchased over £2 million of stock of the APOC in order to guarantee uninterrupted supplies of oil for the navy. In the course of time, however, various points of disagreement arose between the Persian government and the

² The terms of the concession can be found in: J. C. Hurewitz (ed.), *Diplomacy in the Near and Middle East*, Princeton 1956, Vol. 1, 209.

company. Among them were disagreements over the definition of net profits and the proportion of higher posts in the APOC occupied by Persians. Although an agreement signed in December 1920 set out the basis for calculating net profits, the Persian government still remained unhappy about several aspects of the D'Arcy Concession and they continued to advocate a revision of its terms, particularly in view of the constant development of the APOC's operations within Persia. The main oil-field was located at Masjid-i-Suleiman, although in 1928, as a result of considerable exploration, a new field was opened at Haft Kel, and production from this field soon exceeded one million tons of oil per annum. Pipelines connected the oil-fields to the refinery at Abadan.

Persia's revisionist policy derived partly from her anxiety to assert her independence and to terminate so-called western exploitation and partly from the fact that oil royalties, which played a significant part in her budget, were liable to violent annual fluctuations. In 1923–24, for instance, Persia received £411,000, and although royalties amounted to £1.4 million in 1926–27, the total fell the following year to £502,000.³ The problem became more acute in the early thirties when the general onset of depression led to a decline in oil sales, to falling profits and to talk of a restriction of oil output. In addition, the example of the revision of the concession of the Iraq Petroleum Company in March 1931, according to which the Iraqi government would receive a guaranteed minimum annual royalty payment, was not lost upon the Persians. In spite of three sets of negotiations – 1929–32 – between the APOC and the Teheran government, the situation failed to improve, and the publication, in June 1932, of the APOC's accounts for 1931 only served to exacerbate the question. They revealed that Persia would receive £306,872 as her share of net profits, an amount which compared extremely unfavourably with the totals of £1,437,000 and £1,288,312 for 1929 and 1930 respectively. Persia refused to accept the royalty and began to formulate new proposals for the

³ These figures are taken from a speech by Sir J. Simon, British Foreign Minister (1931–35), to the League Council, 26 January 1933, *League of Nations Official Journal* (LNOJ), 1933, 200.

CONTEMPORARY HISTORY

revision of the concession, while an anti-British campaign was inspired within Persia. In the past negotiations had foundered mainly because of the extreme demands advanced by Persia, such as the claim for a minimum royalty of £2.7 million. The APOC refused to consider such proposals in spite of its desire also for an alteration in the terms of the 1901 concession; the company particularly wanted an extension of the time period in order to justify its extensive investments in Persia.

Then, on 27 November 1932, somewhat unexpectedly, the Resident Director of the APOC in Persia, T. L. Jacks, was informed that the concession had been cancelled and that the Persian government would only conclude a new agreement upon terms which safeguarded Persia's vital interests.⁴ It appears that Persia favoured a complete revision of the concession and anticipated that, having cancelled it, she could then dictate a new agreement to the APOC. In addition, Riza Khan, the Shah, was obviously incensed at the reduced royalties since his pet railway schemes might suffer as a result of the contraction of revenue. He was anxious to construct a trans-Persian railway with the objective of reaching Teheran from the south within four years. There was also the possibility that, in view of the increased interest being shown in Persia by both the USA and Russia, the Shah grasped the opportunity to force an improvement in the terms of the concession. In fact, Persia had been cultivating closer links with Russia throughout the twenties, while, according to Article VI of a treaty concluded in 1921, and confirmed in 1927, Persia was entitled to call upon Russian military aid. But, although Russia was suspected of encouraging an attack upon British interests in Persia, the strained commercial relations existing between Russia and Persia during the early thirties reduced the likelihood of Russia's involvement in the events leading up to the cancellation.

The APOC, confronted also with the problems deriving from the stepping-up of the anti-British campaign, declined to admit the legality of the cancellation and requested its immediate withdrawal by the Persian government. However,

⁴Sir R. H. Hoare, British Minister in Teheran, to Simon, 28 November 1932, FO371/16078.E.6247/3880/34(32). Public Record Office (PRO).

the Majlis, the Persian Lower House, proceeded on 1 December to express a vote of confidence in the cancellation decree, while the latter was ratified on 20 December. On the surface, the dispute appeared a purely commercial one, involving just the Persian government and the APOC, although, from another point of view, the cancellation could be interpreted as a political move aimed against the British government as much as against the APOC. Several points of difference existed between the two governments, and the Shah, who was becoming increasingly impatient with Britain's failure to acquiesce in Persia's demands, began to search for a means of striking at British interests. The assets of the APOC offered an obvious target since the company constituted an important British interest and since the British government possessed a majority shareholding in the company.

In fact, on 19 October 1932 the Cabinet, in view of the deterioration in Anglo-Persian relations, had asked the Foreign Office to prepare a paper for its guidance; the Foreign Office indicated the desirability of securing a satisfactory treaty settlement with Persia, a country with which Britain had many points of contact.⁵ A breakdown of relations, it was argued, might seriously endanger Britain's position in the strategically-important area of the Persian Gulf and encourage Persia to consolidate her existing treaty links with Russia, thereby threatening British interests in India and the Middle East. There were, in addition, many interests in Persia itself, more especially the property of the APOC, 'the satisfactory working of which is of great imperial importance'. The assertion of Persian nationalism had made it more difficult to solve Anglo-Persian differences, since Persia, like Turkey, was engaged in a process of modernization and state-building, a transition which was accompanied by an attempt to emphasize national characteristics and to reduce her dependence upon the great powers. In many ways Riza Khan appeared to model himself upon Mustapha Kemal of Turkey. Thus, Persia was endeavouring to rid the Persian Gulf

⁵ Cabinet Paper(CP) no. 358(32) by Simon, 24 October 1932, CAB 24/234. Cabinet Minutes, CAB 23/72, Meeting no. 53(32), 19 October 1932.

CONTEMPORARY HISTORY

of British influence and this caused friction with Britain over Bahrein and Henjam. In fact, it was the Persian notes dated 19 and 22 September 1932, refusing recognition of a British protectorate over Bahrein and demanding the British evacuation of Henjam, which resulted in the Cabinet displaying an interest in Anglo-Persian relations. Throughout the twenties, Persia had refused to recognize a British protectorate over Bahrein, whose significance derived mainly from its value in air communications, although the prospect of oil gave the island added importance. Henjam proved equally valuable since it acted as a vital re-fuelling point for ships.

The Foreign Office, in order to prevent a breakdown in Anglo-Persian relations, suggested the reference of the Bahrein question to the Permanent Court, although it was felt that Britain's claim to Bahrein was such as to leave the Court with little alternative but to recognize this fact. A general treaty settlement might be facilitated by offering Persia some *quid pro quo*, such as the waiving of the war-debt or the grant of a loan for reconstruction, although the Persians were thought likely to demand a larger financial consideration than could be justified in the economic circumstances of the early thirties. However, Sir Samuel Hoare, the Secretary of State for India, indicated his desire to assert his department's point of view, and the Cabinet consented to delay consideration of the question to allow him time to formulate his attitude.⁶ This resulted in the India Office expressing its opposition to the idea of submitting the Bahrein dispute to arbitration, on the ground of its vital rôle in Britain's position in the Persian Gulf and on the air route to India, as demonstrated in the British reservations to her signature of both the Briand-Kellogg Pact and the Optional Clause. Sir S. Hoare argued that a strong line should be adopted towards Persian demands, especially since a policy of conciliation and compromise had achieved very little and as he failed to see that Persia could do anything of decisive importance by way of retaliation.

⁶ Cabinet Minutes, CAB 23/72,55(32), 26 October 1932. CP. no. 371(32) by Sir S. Hoare, 31 October 1932, CAB 24/234. Throughout this article he will be referred to as Sir S. Hoare to avoid confusion with his namesake, the British Minister in Teheran.

On 2 November 1932 the Cabinet, guided by the views of both the India Office and the Foreign Office, undertook a comprehensive examination of Anglo-Persian relations and decided to adopt a firm line against Persian demands on Bahrein and Henjam.⁷ This ruled out a reference of either question to the Permanent Court or to the League of Nations. The Foreign Office acquiesced unwillingly in the Cabinet's endorsement of the India Office's attitude, especially since Persia's membership of the League entitled her to refer either dispute to the Council.⁸ The unanimity rule, whilst preventing the application of sanctions, could not stop the Council taking up the question and making its opinion clear. In any case, the increasing international importance of the Persian Gulf made it more difficult to treat the region as a purely British preserve, as had been the case in the past. For example, both the French and the Dutch utilized the area for air communications to the Far East, while other powers, such as the USA and Italy, displayed an interest in the resources of the region. The Foreign Office thought that such factors argued against the feasibility of a strong line, while there was no certainty that such a policy would succeed. The ultra-nationalist spirit prevalent in Persia would hinder the effect of a strong line and it was argued that it was essential to appreciate the alteration in international circumstances which rendered Palmerstonian diplomacy difficult, as illustrated by the Chanak crisis of 1922.

The minor, minimus, and all the uppish Lower School were quick to assume that they had no violence to fear from their war weary and paper-bound majors. A mental reservation is made in the case of a more impulsive and less conscientious people such as Italy or Japan. But not in ours. We pass — to our credit or detriment — for 'a good European', and perhaps the only one. Our words are our bonds, and others mark the trammels. In these days of League Covenant, Kellogg Pact and General Act, 'strong lines' are difficult to execute, for the small Power is alive to its enhanced position . . . We cannot eat all our words, we have said too many mouthfuls. And will it not be electorally rather expensive if we tried?

⁷ Cabinet Minutes, CAB 23/72(32), 2 November 1932.

⁸ CP. no. 415(32) by Simon, 2 December 1932, CAB 24/275.

CONTEMPORARY HISTORY

This episode provides yet another illustration of the fact that the Foreign Office possessed a fuller appreciation of the international situation than other departments, which tended to ignore the obligations for the pacific solution of disputes and to prefer the traditional diplomatic methods.

Thus, the cancellation of the APOC's concession occurred against a background of friction between the British and Persian governments, although until November 1932 both the British government and the APOC had attempted to keep the two questions separate. Naturally the APOC had kept the government, and particularly the Treasury and the Foreign Office, informed about its negotiations with the Persian government, but the British government had, to the company's satisfaction, steered clear of the concession problem. Nevertheless, the Foreign Office watched developments closely, especially after 19 October 1932, that is, after Cadman had expressed fears that his board of directors might have to request the aid and intervention of the government.⁹ As a result, news that the concession had been cancelled was followed by a meeting at the Foreign Office on 29 November when Oliphant received representatives from the APOC.¹⁰ It was agreed that the company should initially seek a solution through its own efforts and that the objective should be to obtain the restoration of the concession in order to permit the resumption of negotiations upon a satisfactory basis. The government would remain in the background, although it was decided that forcible action against the company's interests would necessitate an alteration in this non-intervention policy.

Within the Foreign Office preparations were made in case intervention proved necessary, and Beckett undertook an

⁹Sir J. Cadman, Managing Director of the APOC (1927–34), to Foreign Office, 19 October 1932, FO 371/16078.E.5508/3880/34(32). There was in fact a slight improvement after this.

¹⁰Minute, G. W. Rendel, Head of the Eastern Dept., 29 November 1932, FO 371/16078.E.6257/3880/34(32). Sir L. Oliphant was Assistant Under-Secretary of State. Cadman, who was in the USA at the time, agreed with the course proposed.

examination of the juridical aspects of the dispute.¹¹ It soon became clear that the strength of the APOC's case was such as to justify a government demand for the restoration of the concession. The concession was not due to expire until 1961 and, as the failure of the company to accept Persian proposals did not constitute a valid reason for the termination of the concession, Beckett argued that the cancellation was an unlawful act, particularly since Article XVII of the 1901 agreement provided for arbitration. In addition, several authoritative statements existed to support the view that a confiscatory act of sovereignty, committed against a foreign company, involved a breach of international law and enabled the government of the injured party to make the matter the subject of a diplomatic claim. Beckett suggested a reference to the Permanent Court, although the Persian government was likely to argue that the dispute, as a domestic affair, was ineligible for submission to any body other than a Persian court.

An appeal to Geneva existed as a further possibility worthy of consideration, since both countries belonged to the League. In fact, the rôle of the League was considered from an early date, in view of Hoare's suggestion on 29 November 1932 to appeal to the League.¹² Although Articles XII-XIII of the Covenant obliged members of the League to utilize arbitration or judicial settlement, an appeal was most likely under either Article XI or XV. During the twenties Article XI had developed into one of the key articles of the Covenant, allowing the Council to do whatever appeared possible in the circumstances whenever a dispute arose, while Article XV stated that any dispute which threatened to lead to 'a rupture' could be submitted to the Council for settlement. If this proved impossible, the Council was still entitled

¹¹Minute, W. E. Beckett, Second Legal Adviser, 29 November 1932, FO 371/16078. E 6257/3880/34(32). See the enclosed memorandum, dated 6 December 1932, which examined the legal authorities in more detail; this point was referred to by Simon during his speech to the Council on 26 January 1933, LNOJ, 1933, 210.

Minute, D. L. Lascelles, Second Secretary in the Eastern Dept., 29 November 1932, FO 371/16078. E 6259/3880/34(32).

¹²Hoare to Simon, 29 November 1932, FO 371/16078. E 6274/3880/34(32).

CONTEMPORARY HISTORY

to publish a report embodying its findings and recommendations for a solution. It began to appear that Britain would derive certain advantages from an appeal to Geneva. In the first place, this move would not only placate League opinion and perhaps reverse some of the harm inflicted upon the League during the Manchurian Crisis, but, it would, in addition, strengthen Britain's position should the Council rule in her favour. It was expected that the Council's moral pressure alone would persuade Persia to accept the Council's proposals for a settlement, although force might become necessary should such moral pressure founder upon the rocks of Persian nationalism. If force was required, the League decision would justify any British action against Persia and enable Britain to solicit help from other members of the League. Although this eventuality had to be considered, Britain preferred a pacific solution, since, as will be shown, she was reluctant to utilize force because of the extra strain it would impose upon her armed resources and of the difficult economic climate. This had already become obvious in 1931-32, that is, in Britain's refusal to participate in sanctions against Japan, although there were, of course, other reasons affecting this decision which need not be referred to here.

There were, at the same time, arguments against a reference to the League. In spite of the development of the League's jurisprudence during the twenties, there still remained a number of people within the Foreign Office opposed to, or out of sympathy with, the League and its peace-keeping functions. For example, Vansittart, the Permanent Under-Secretary of State, disapproved of a League appeal in this particular case, partly because he feared a delay which might enable Persia to create trouble and partly because of his preference for traditional diplomatic methods. There was also the possibility that Persia might gain the support and sympathy of other countries represented at Geneva which, like Persia, resented the concessions held within their territories by one or other of the great powers. Several South American countries, for instance, fell into this category and were judged likely to support Persia regardless of the merits of the case.

The Cabinet discussed the APOC dispute for the first time on 30 November, and after Simon had described the course of events, the Cabinet decided to adopt a strong line against Persia and to send a stiff protest note to Teheran.¹³ This note emphasized that the cancellation was 'wholly inadmissible' and a breach of the 1901 agreement which provided for arbitration. As the British government took 'a most serious view' of the situation, it would not hesitate to adopt all legitimate measures necessary to protect British interests and trusted that no damage would be inflicted upon the company's property. The note, which Walters criticises as being in the style of pre-League diplomacy, made no mention of a reference to either the League or to the Permanent Court.¹⁴ The Cabinet had gone further than had been envisaged by the meeting at the Foreign Office the previous day, and the fact that force might be required led the Cabinet to instruct the Chiefs of Staff Committee to draw up plans in case Persia occupied the oil-fields; the Committee was asked to pay particular attention to measures of retaliation and to the movement of part of the East Indian Squadron to the Gulf.

A significant change in the situation occurred after news arrived on 1 December that there had been damage to the APOC's offices and sign-boards in Persia, and these reports, taken in conjunction with the Anglophobic campaign inspired by the Persian government, caused fears within the Foreign Office that such attacks might escalate into full-scale aggression. Hearn of the APOC was summoned to the Foreign Office later that day to be informed that the dispute had been transformed into an inter-governmental question in the light of events, while two days later the APOC was advised against negotiations until the concession had been reinstated.¹⁵ However, Persia, in her reply to the British note, refused to withdraw the cancellation order or to accept

¹³Cabinet Minutes, CAB 23/73,64(32), 30 November 1932. Simon reminded his colleagues of a Committee of Imperial Defence decision of 19 March 1931 (CID meeting no. 253) on the need to protect the South Persian oil-fields.

¹⁴F. P. Walters, *A History of the League of Nations*, London 1960 edition, 572.

¹⁵Minute, Oliphant, 1 December 1932, FO 371/16078. E 6332/3880/34(32).

CONTEMPORARY HISTORY

responsibility for damage to the APOC's property, and the tone of the reply only served to aggravate the situation.¹⁶ The exchange of notes appeared to have little to offer and increased attention began to be focussed upon other means of getting out of the impasse. In spite of the studies being conducted by the Chiefs of Staff Committee, there existed within the Foreign Office a strong desire to involve a third party, with the initial preference being in favour of the Permanent Court rather than the League. The most significant analysis upon this aspect was produced by Beckett on 5 December.¹⁷ He pointed out that the Cabinet's strong-line policy implied the employment of force as a last resort. If force was applied, it would mean that Britain, while entitled to refer the matter to either The Hague or Geneva, was apparently taking the law into its own hands. Britain might be accused, Beckett feared, of taking a line in Persia very similar to that assumed by Japan in Manchuria. Persia would then be entitled to appeal to the Permanent Court, claiming that Britain had failed to abide by a judicial solution, and the Court would have valid reasons for deciding against Britain. Thus, Britain would be liable to pay damages, even if Persia had been originally in the wrong in cancelling the concession. Persia could also appeal to the Council, and the latter would examine not the legitimacy or otherwise of the Persian action but the validity of Britain's resort to force.

Almost everybody would then say that, if the action of Japan in Manchuria had weakened and rendered doubtful the efficacy of procedure before the League and the Court, the action of HMG in Persia will have completed in this respect the work of the League.

On 7 December the Cabinet took note of the uncompromising attitude assumed by Persia and discussed the relative merits of a reference to either the Permanent Court or the League.¹⁸

¹⁶Hoare to Simon, 5 December 1932, FO 371/16078. E 6387/3880/34(32). See the accompanying minutes dated 6 December 1932.

¹⁷Minute, Rendel, 3 December 1932, FO 371/16078. E 6361/3880/34(32). Minute, Beckett, 5 December 1932. Sir H. W. Malkin, the First Legal Adviser, agreed with Beckett's statement of the position.

¹⁸Cabinet Minutes, CAB 23/73,65(32), 7 December 1932. Foreign Office to Hoare, 7 December 1932, FO 371/16079. E 6465/3880/34(32). The terms of the note were read out to the House of Commons on 8 December 1932.

Eden, the Under-Secretary of State, represented the Foreign Office at this meeting on account of Simon's presence in Geneva for the discussions on the Lytton report, and he recommended the continuation of a strong-line policy and a reference to the Permanent Court if British demands remained unsatisfied. It was decided to send another note to Teheran to this effect, stating that if Persia failed to withdraw the cancellation by 15 December the question would be referred to The Hague. The Cabinet, after discussing an apparently similar case which had occurred in the past, the *Mavrematos* case of 1924, requested the Law Officers of the Crown to examine whether Britain could take Persia to court.¹⁹ In addition, the Cabinet studied a report submitted by the Chiefs of Staff Committee.²⁰ This report, which had been drawn up in consultation with the APOC, advised against any naval movements and stated that economic sanctions would only exert a negligible effect upon Persia, a country which was relatively self sufficient in foodstuffs apart from tea and sugar. The Cabinet asked the Chiefs of Staff to continue their studies.

The Law Officers pointed out that Persia had only accepted the Court's jurisdiction for disputes arising from treaties or conventions, and, as the concession agreement did not fall into either category, it was unwise to involve the Permanent Court.²¹ Nevertheless, they argued that Britain's readiness to use the Court could only strengthen her case. In the light of this advice, discussions held at the Foreign Office on 8 December centred upon an appeal to Geneva, and even Vansittart appeared more amenable to this course.²² In fact, the worsening situation and the possibility of 'a rupture' encouraged talks to concentrate upon the use of Article XV, with 'a rupture' being defined as a situation which caused

¹⁹ In this case (1924), the Greek Government had taken up with the Permanent Court the claim of a Greek subject in dispute with the government of Palestine.

²⁰ C. P. no. 419(32) by Chiefs of Staff Committee, 2 December 1932, CAB 24/235.

²¹ Memorandum, T. W. H. Inskip and F. B. Merriman, Law Officers of the Crown, 7 December 1932, FO 371/16079. E 6489/3880/34(32).

²² See the minutes dated 8 December 1932, FO 371/16079. E 6490/3880/34(32).

CONTEMPORARY HISTORY

Britain to contemplate the movement of either ships or troops. Although it was the Cabinet's responsibility to actually decide whether such a situation was likely to arise, within the Foreign Office Oliphant, Vansittart and Beckett thought that the dispute might lead to 'a rupture'. Under Article XV the Council could attempt to arrange a settlement or, if this failed, issue a report on the dispute. It was essential that Britain should not utilize force until this stage was reached, although the Council was able to issue interim recommendations which would cover Britain against any alleged breach of either the Covenant or the Briand-Kellogg Pact. The value of involving the League became even more apparent after the publication of a report by the Joint Planning Committee of the Chiefs of Staff Committee on 10 December.²³ This stated that the limited forces available and the time needed for them to reach the oil-fields ruled out immediate military action in the event of Persia occupying the oil-fields. Re-capture would require large-scale reinforcements from India and Egypt and this would take several months. Hence, Britain's initial step in the case of Persian aggression should be the evacuation of British nationals to Abadan, which was to be protected as a future base for military and naval operations. Certain retaliatory measures were also suggested, such as the capture of Persian gun-boats, the seizure of Persian customs, the bombing of selected military targets and the cessation of visits by British ships to Persian ports.

The Persian reply to the British note of 7 December was delivered on 12 December, and, apart from repeating the denial of responsibility for any damage to the APOC's interests, it claimed that the intervention of the British government had hindered a settlement of the concession dispute and that the Permanent Court possessed no jurisdiction in the question.²⁴ There was, in addition, an implied threat to bring the pressure exerted upon her to the

²³CP. no. 430(32) by Chiefs of Staff Committee, 10 December 1932, CAB 24/235.

²⁴Hoare to Foreign Office, 12 December 1932, FO 371/16079. E 6607/3880/34(32) & E 6625/3880/34(32).

notice of the Council, and this was probably a reaction to the rumours circulating within Persia to the effect that Britain was planning to occupy the oil-fields. The receipt of this note was followed by hectic activity in the Foreign Office on 13 December; it seemed essential to prevent Persia forestalling a British appeal to Geneva, since it was adjudged vital for Britain to appear before the League as the plaintiff rather than as the defendant in order to allow for the full consideration of her case.²⁵ It was decided to advise the Cabinet to utilize Article XV of the Covenant. Although the Foreign Office had been coming round to this mode of thinking for some time, the Persian note gave the main impetus to this view which was placed before the Cabinet the following morning, a meeting from which Simon was again absent because he was representing Britain at the Geneva Disarmament Conference.²⁶

The general consensus of Cabinet opinion was in favour of acting upon the Foreign Office recommendation, and some members even thought that the League should have been utilized in the first place. The appeal was to be made under Article XV but, as it seemed that the Council would be unable to fully consider the dispute until its January session, the Council was to be asked to ensure the maintenance of the *status quo* pending a settlement since there was likely to be just time for the Council to receive the appeal before its adjournment for Christmas. This decision, to take Persia to the bar of world opinion as represented at Geneva, influenced the Cabinet's treatment of a further report drawn up by the Chiefs of Staff which advised strengthening British forces in the Persian Gulf. It was felt that Britain's position at Geneva would be improved if this advice was not followed, since the movement of either ships or troops might be interpreted as the imposition of unfair pressure upon Persia. In addition, the Cabinet, conscious of the argument that two to three divisions would be required to occupy the oil-fields and motivated by the desire to reduce government expenditure,

²⁵Minute, Rendel, 13 December 1932, FO 371/16079. E 6607/3880/34(32). CP. no. 428(32) by Vansittart, 13 December 1932, CAB 24/235.

²⁶Cabinet Minutes, CAB 23/73,63(32), 14 December 1932. cf. Walters 572.

CONTEMPORARY HISTORY

hoped to avoid the use of force. Consequently, the failure of traditional diplomatic methods meant that the League appeared to offer a way out of the deadlock; the League was resorted to by Britain as an instrument of policy rather than for more altruistic reasons.

The Foreign Office had already warned the British Delegation in Geneva of the likely course of events, and immediately after the Cabinet's meeting instructions were sent for the Delegation to inform the League Secretariat of the appeal with all haste.²⁷ A meeting was held at the Foreign Office the same day to discuss the draft of the case to be presented before the Council, and representatives of the APOC participated in these discussions.²⁸ In fact, part of a statement issued on 6 December by the APOC to its shareholders was incorporated into this draft which Simon read the following day after his return from Geneva. The Cabinet had asked Simon to take charge of the question on his return, indicating the significance they attached to the appeal. The APOC and Hoare were advised against any negotiations with Persia until the Council had taken charge of the matter, for the Foreign Office, hoping to obtain an injunction for the maintenance of the *status quo*, was anxious to get the Council 'seised' of the dispute as soon as possible. Sean Lester, the Acting President of the Council, communicated with both disputants on 18 December expressing the hope that they would not aggravate the situation and stating that the Council, while placing the appeal on the agenda for its January session, would allow both sides to address it on 19 December.²⁹ Accordingly the Council received the British appeal and invited both parties to present their case and to promise not to disturb the *status quo*.³⁰ Owing to illness,

²⁷Minute, Rendel, 14 December 1932, FO 371/16079. E 6643/3880/34(32). cf. Walters, 572.

²⁸Memorandum, Malkin, 15 December 1932, FO 371/16079. E 6669/3880/34(32). Vansittart to Hoare, 17 December 1932, FO 371/16079. E 6645/3880/34(32). Minute, Rendel, 17 December 1932, FO 371/16080. E 6741/3880/34(32).

²⁹Lester to Foreign Office, 18 December 1932, FO 371/16080. E 6726/3880/34(32).

³⁰H. Patteson, British Consul in Geneva, to Simon, 19 December 1932, FO 371/16080. E 6745/3880/34(32).

Simon was unable to travel to Geneva and Malkin acted in his place, arguing that it was essential for the Council to fully consider the dispute at the earliest opportunity. Sapahbody, the Persian representative, accepted the *status quo* but made it clear that Persia opposed the use of Article XV.

The intervention of the League had brought a certain relief to the situation and had, from the British point of view, reduced the urgency of military preparations. Although the Chiefs of Staff continued their studies, the need for force began to recede, and on 30 December, for instance, HMSs Emerald and Enterprise, which had been placed on alert to go to the Persian Gulf, were allowed to resume their cruises in the Bay of Bengal.³¹ Persian efforts to re-open negotiations early in January 1933 evoked no response from the Foreign Office and the Cabinet did not take up the matter again until 19 January when it discussed the forthcoming session of the Council.³² Simon, who had just returned from Geneva where the Manchurian dispute was being examined by the Committee of Nineteen, was instructed to emphasize that there could be no discussions as long as the cancellation remained, while Cadman was asked to be available at Geneva in case he was required.

On 24 January the Council appointed Beneš, the Czech representative, as the rapporteur for the Anglo-Persian dispute and two days later Simon and Davar, the Persian Minister of Justice, presented their respective explanations to the Council.³³ Simon, making full use of his legal training, advanced a step-by-step refutation of the Persian case, especially as set out in a Persian communication to the League on 18 January. In this note Persia, after justifying the cancellation, had challenged the utilization of Article XV on the grounds that the dispute, which involved no breach of international law, had not been submitted first to the

³¹ Admiralty to C. in C. of the E. India Squadron, 30 December 1932, FO 371/16933. E 17/17/34(33).

³² Cabinet Minutes, CAB 23/75,1(33), 19 January 1933.

³³ LNOJ, 1933, p. 198-208. The briefing of Simon by members of the Foreign Office and the drafting of his speech are dealt with in Sir G. Rendel, *The Sword and the Olive*, London 1957, p. 80-81. A rapporteur was supposed to assume charge of a question on behalf of the Council and to guide its deliberations.

CONTEMPORARY HISTORY

municipal courts. Simon disagreed, arguing that a question of international law was involved, for it had become clear that the Persian government intended to dictate a new agreement to the APOC and this constituted 'an indefeasible use by the Persian government of its sovereign power'. Simon pointed out that the APOC had already spent over £22 million exploiting the concession and that this risk had been taken with no financial help from the Persian government in spite of the large amount of money received by the latter. In any case, if Persia was dissatisfied with the concession, the 1901 agreement provided for arbitration. Instead, Persia had cancelled the concession, while the Majlis' approval of this appeared to nullify any possibility of the company receiving a fair hearing in the Persian courts. In these circumstances, Britain, although anxious to maintain friendly relations with Persia, had been compelled to employ Article XV. The Persian reply was skilfully delivered by Davar and, during his speech, it became clear that the main problem was whether a violation of international law was involved or not. Davar claimed that the cancellation of the concession ruled out the use of the arbitration clause, although in such a dispute, that is, one between the Persian government and a private business firm, a municipal remedy was still available. The question thus fell within the sphere of civil rather than international law and yet, Davar continued, the APOC had made no attempt to use the Persian courts. The intervention of the British government further hampered a municipal solution which Davar stated was still possible since the Majlis' action on 1 December was merely a vote of confidence. Simon remained unconvinced and announced his willingness to cite authorities to prove his point. But Davar was equally determined to stand his ground and, after these exchanges, the Council adjourned in order to allow Beneš time to examine the problem and, through contacts with the disputants, to search for common ground as a means of reconciliation. Simon returned home immediately after his speech, leaving Eden, Malkin and Rendel in charge of the presentation of Britain's case, that is, the argument that negotiations should be upon an equal basis and that any talks should occur under the aegis of the Council.

Meanwhile, Beneš proceeded with the task of conciliation and the progress of his conversations was facilitated by the fact that neither side appeared willing to pursue the quarrel *à outrance* and on 3 February Beneš was able to inform the Council that an acceptable formula had been agreed upon.³⁴ The solution involved shelving the juridical problem by allowing both sides to state their respective positions and suspending all proceedings before the Council at least until May. This was designed to permit the resumption of negotiations between the APOC and the Persian government, although a further breakdown in the talks would necessitate a return to the Council. The APOC was to continue its operations in Persia pending a settlement. These proposals were approved by the APOC representatives present at Geneva who had, throughout the Council meetings and the conversations with Beneš, maintained close contact with the British Delegation. The first meetings between the representatives of the APOC and of the Persian government occurred on the afternoon of 3 February, and during the course of subsequent contacts it soon became apparent that the Persians would only agree to negotiate in Teheran. The company accepted this in order to prevent further delay, although the APOC requested Beneš to remind the Persians that the discussions in Teheran would remain under the aegis of the rapporteur. Although the British government would not participate in these talks, there were suggestions in the Foreign Office that Persia might be offered a loan upon the successful conclusion of a new concession agreement.³⁵ But this proposal was eventually rejected, partly because of the reluctance to link the concession with other issues and partly because of Treasury opposition. In any case, it was difficult to forecast whether the nationalist flavour of Persian foreign policy would permit the Shah to accept such aid.

³⁴Eden to Simon, 31 January 1933, FO 371/16935. E 645/17/34(33). Rendel to C. E. A. Warner, First Secretary in the E. Dept., 3 February 1933, FO 371/16935. E 708/17/34(33). Rendel, 79.

³⁵Minute, Rendel, 2 April 1933, FO 371/16937. E 1637/17/34(33).

CONTEMPORARY HISTORY

On 3 April the APOC delegation, which included Cadman, arrived in Teheran.³⁶ Initially, the Persians based their proposals upon a sixteen-point programme, but these were rejected by the APOC as being too extravagant and the negotiations reached a state of deadlock by 22 April. The following day, Cadman visited the Shah to emphasize his intention to depart, and in order to heighten this impression he instructed the pilot who was responsible for transporting the delegation back to London to carry out a trial flight and to taxi the plane so that it would be visible from the windows of the Shah's palace during his interview. Significantly this visit was followed by the moderation of Persian demands, thus allowing the conclusion of a new concession agreement on 30 April, an agreement which was ratified by a large majority in the Majlis on 28 May and by the Shah the following day. In spite of the fact that a settlement had been reached, the League continued to occupy an important place in British thinking; League sanction of the agreement would make it more difficult for Persia to rescind it.³⁷ Hence, in contrast to Persia which only passed news of the agreement onto the League Secretariat, Britain took care to inform both the Secretariat and Beneš.

The new agreement reduced the APOC's concession to apply to an area of 100,000 square miles to be chosen by the company within the bounds of its original concession. The APOC agreed to extend its operations and believed that even this reduced concession area would cover all the oil-fields that it could profitably develop. This clause meant that Persia was able to grant concessions to other companies which would be entitled to construct pipelines to the south coast. With effect from 1 January 1933 the Persian government was to receive a royalty of four shillings (twenty new pence) per ton of petrol whether it was sold in Persia or exported, while it was entitled to a sum equivalent to 20 per cent of the APOC's profits actually distributed to ordinary shareholders

³⁶Cadman to Simon, 21 April 1933, FO 371/16937. E 2406/17/34(33). Minute, Rendel, 24 April 1933, FO 371/16937. E 2168/17/34(33). Minute, Rendel, 1 May 1933, FO 371/16937. E 2259/17/34(33).

³⁷Minute, Rendel, 1 May 1933, FO 371/16937. E 2659/17/34(33). For text of agreement, see LNOJ, 1933, 1653-60.

in excess of £671,250. A minimum aggregate payment of £750,000 was guaranteed and the company consented to price oil products for the Persian market at favourable rates. Persia was to be given £1 million in settlement of outstanding financial disagreements, while the APOC agreed, at the same time, to accelerate the process of Persianization. This involved increasing the recruitment of skilled staff from Persians, while unskilled labour would be appointed exclusively from local workers. Thus, the Teheran government made substantial gains, a point which the Persian Press continued to stress, and, in the light of this, subsequent Persian claims that the agreement was dictated by the company upon a powerless government have no substance.

However, the APOC, in spite of the reduced concession area and increased financial commitments, was equally pleased with the terms of the agreement, for it obtained not only the right to renounce the concession on giving two years' notice, but also its extension until 1993. In addition, Article XXI prevented the Persian government from either altering or cancelling the new concession agreement. The concession could only be terminated if the company failed to fulfil its obligations, while any difficulties which arose should, it was laid down, be submitted to an arbitration tribunal. According to Article XXII the Permanent Court could be referred to if any legal difficulty arose. Such safeguards were thought by both the APOC and the Foreign Office to have consolidated the company's position and investments in Persia. In fact, in August 1933 Britain informed the Permanent Court of its obligations under the new agreement, and on 21 October the Court indicated its willingness to fulfil its obligations under Article XXII. Further advantages derived from the fact that the APOC would continue to enjoy exemption from the payment of duty on its exports of petroleum and imports of equipment, and it gained the additional privilege of not having to surrender its foreign exchange to the Persian government. It would also be exempt from liability to national and local taxes for a period of thirty years. Apart from this, the company was pleased that it had succeeded in avoiding Persian demands for either representation upon the board or for a shareholding.

CONTEMPORARY HISTORY

Consequently, it would be a mistake to conclude that either party won; on the contrary, the agreement, in reflecting the new circumstances prevailing in the thirties, conferred substantial advantages upon both sides, and it only remained for the League Council to endorse the agreement. But as the latter was not ratified until the end of May, the May session of the Council could only receive a brief report on the dispute and it was only on 12 October 1932 that the Council was able to consider the settlement and formally liquidate the question. The APOC's shareholders had already voiced their approval of the agreement on 11 July, and they had been encouraged by the fact that the directors, having recommended no dividend for the first half of 1932, felt able to announce a dividend of 7½ per cent for that year, an extremely good figure considering the general depression and the reduction in the company's profits. This return, facilitated by a reduction in the reserves carried forward, was justified by the improved security deriving from the new agreement.

THIS DISPUTE OFFERS AN INTERESTING EXAMPLE of the interaction between government and big business, and such a link was most likely to occur in the case of the oil industry in view of the concessions held by oil companies in various parts of the world. In spite of the apparent benefits accruing to both the oil company and to the country containing the concession, problems tended to arise during the course of time over the working of the concession as illustrated in the relations between the APOC and the Persian government. In this instance, differences developed over such matters as the fluctuation of oil royalty payments and the degree of Persianization. In addition, the activities of a large foreign-owned company in a backward country like Persia attracted both the jealousy and resentment of nationalists, who opposed their country's dependence upon a great power. This problem became more acute during the inter-war period when the increase in oil production was accompanied by a developing Persian nationalist movement, which used the APOC as one of the main targets of its criticism. The anti-British campaign, inspired by the Persian government, was

able to capitalize upon such feelings, while the results of such Anglophobia helped to precipitate the intervention of the British government, especially as friction already existed between the British and Persian governments. Throughout this dispute close co-operation occurred between the British government and the APOC; in fact, even before the concession was cancelled the company had kept the government fully informed of developments. Contacts became closer after the cancellation, and the company's representatives participated in the discussions which took place at the Foreign Office and advised the Chiefs of Staff upon the use of force. Although the British government possessed a majority share-holding in the APOC, there is no evidence that this caused its intervention or unduly influenced the course of events.³⁸

Although it cannot be denied that the intervention of the British government prevented negotiations between the APOC and the Persian government and ensured that the dispute would become an international matter, it was thought necessary for the government to intervene in order to guarantee that any further negotiations should proceed upon a basis of equality. This required the resumption of talks in a way which would not place the APOC at an initial disadvantage, as would be the case if the cancellation was not withdrawn. Negotiations had to proceed upon the assumption that the concession remained in existence until a change was agreed upon. It was argued that the function of the government was to protect the rights of British subjects and to ensure that international agreements were respected. If an alleged breach of international law was allowed to go unchallenged, it might constitute an unfortunate precedent and encourage other countries containing British concessions to act in a similar fashion. Hence the government intervened upon its own initiative rather than in response to the invitation of the APOC. This factor was important, because the Treasury suggested that the company should meet the

³⁸ The British shareholding was £7,501,000 out of a total of £13,425,000. Simon told the January Council that up to 1933 the government had received £9 million from its shares.

CONTEMPORARY HISTORY

expenses of Malkin and Rendel in attending the December Council meeting.³⁹ The Foreign Office disagreed, claiming that they were part of the normal League delegation and as such their expenses should be met from the League account. In any case, the British government had intervened upon its own initiative, transforming the dispute into an inter-governmental issue involving far more than the mere defence of a company's interests. There was also, of course, the possibility that the cancellation had been aimed at the British government as much as at the APOC in view of the unsatisfactory relations existing between Britain and Persia during the early thirties. The Treasury accepted the Foreign Office's views, albeit reluctantly because of its desire to economize on government expenditure, and this reluctance caused it to raise the problem again after the January Council.⁴⁰ Once again, it was eventually agreed that although the APOC would meet the expenses of its own representatives at Geneva, the costs of the government delegation would be borne by the League account rather than by the company.

Government intervention was also encouraged by the fact that the security of the South Persian oil-fields constituted a vital British interest, mainly because of their part in Britain's position in the Persian Gulf rather than on account of their oil supplies. The maintenance of Britain's footholds in this region were adjudged to be essential so that it appeared as important to protect the South Persian oil-fields as to obstruct Persian designs on Bahrein. The interests of India particularly influenced British policy in the Persian Gulf and these interests were kept before the Cabinet by the India Office, which was able to counter, to some extent, the policy recommended by the Foreign Office.

Perhaps more significant, however, is the left-wing criticism of British policy, criticism founded essentially upon suspicions that the government was pursuing a policy of oil imperialism and that oil and business interests dominated

³⁹Oliphant to Simon, 16 December 1932, FO 371/16080. E 6770/3880/34(32). See the exchange of notes and conversations referred to in this file.

⁴⁰There were also three parliamentary questions on this subject: *Hansard*, Vol. 274, 7 February 1933, cc 24-25; 8 February 1933, cc 185-186; 14 February 1933, c 837.

government policy in a relatively weak state. Such accusations were not new, and similar criticisms had emanated from the left during the Mosul dispute of 1924-25. Within the House of Commons, Lansbury emerged as the major critic of government intervention in the Anglo-Persian oil dispute and on 8 December 1932, after attacking the suggestion that force should be used to defend a British company, he attempted, unsuccessfully, to force a debate upon the question.⁴¹ In addition, a section of the Press, centred upon the Daily Herald, was extremely critical of the government's action and 'the trail of oil' became a favourite phrase to hurl at the government. The Daily Herald was a prominent critic of Britain's so-called high-handed attitude and the apparent pursuit of a policy of oil imperialism. 'Is it', the paper asked on 7 January 1933, 'the old game of trying to win prestige in Asia at all costs'? The Foreign Office was especially concerned at the comments in this particular edition and rushed out a communiqué refuting such allegations. A little earlier, the Foreign Office had been extremely displeased by an article by 'a correspondent' in the Economist on 3 December 1932, an article which had criticized the idea that 'a Palmerstonian stroke' could be utilized in defence of oil interests. Such views could not be and were not ignored by the Foreign Office, although, as in the Mosul dispute, oil interests remained a secondary consideration.⁴² In the Anglo-Persian oil dispute Britain's position in the Persian Gulf and the sanctity of international agreements assumed far greater significance than oil interests.

Britain's use of the League helped to mitigate some of the criticism aimed at the government's policy since, considering the discrepancy in power and interests between Britain and Persia, the course taken by the British government was, to some observers, rather surprising. The example of a great power turning to the League rather than relying upon its own diplomacy and military force for the protection of its interests in a weak and backward country with which a

⁴¹*Hansard*, Vol. 272, cc 1790-94.

⁴²In the Mosul dispute the interests of Iraq, and particularly her need for a good strategic boundary, took precedence.

CONTEMPORARY HISTORY

rupture was threatened, attracted some favourable comment. On the surface, therefore, British action appeared to represent a radical departure from pre-1914 diplomacy and to constitute an active League policy. In this case Britain had displayed considerable respect for a League which had been damaged during the Manchurian crisis, while Persia had apparently been guilty of high-handed action. Persia, in contrast to Britain, opposed the utilization of the League, partly because of her preference for a municipal remedy and partly because she regarded the League as the tool of the great powers, a view encouraged by Russian propaganda and apparently confirmed by the Sino-Japanese controversy. This attitude led Persia to attempt to re-start negotiations towards the end of December 1932 in order to by-pass the jurisdiction of the League, although these Persian moves prompted no alteration in British policy.⁴³

Throughout the inter-war period, Britain's limited armed resources had exercised an important restraint upon policy, and, as Bonar Law had asserted in the early twenties, Britain was increasingly unable to act as the policeman of the world. A decade later, the relative lack of armed forces coupled with the desire for economy deriving from the Depression, exerted an important influence upon the deliberations of the Chiefs of Staff on the Anglo-Persian dispute and upon the advice they offered to the Cabinet. It soon became obvious that Britain could do little to prevent Persia capturing the oil-fields, while their re-capture could not be hoped for until several months had elapsed, that is, until reinforcements could be obtained from Egypt and India. In addition, the need for two to three divisions raised the problem of expense in the cost-conscious climate of the early thirties. However, the initial strong-line policy adopted by Britain implied the use of force as a last resort, and there was the danger of Persia calling Britain's bluff. Another Chanak crisis seemed a possibility. Such factors led the British government to rule out a forceful solution and to search for some other means

⁴³Foreign Office to Hoare, 23 December 1932, FO 371/16080. E 6744/3880/34(32). See minute by Simon, 21 December 1932. In many ways, Persia's response paralleled that of Turkey during the Mosul dispute. (1924-25).

out of the impasse. As it proved impossible to resort to the Permanent Court on juridical grounds, a decision was made to involve the League, and, in the light of this, it might even be argued that the appeal to Geneva was, to some extent, a confession of weakness on Britain's part. But there were other arguments in favour of referring the dispute to the Council. British obligations such as the Covenant and the Briand-Kellogg Pact, meant that recourse to force without some reference to an international body might lead to problems and encourage criticism upon both a domestic and an international level. It was important, for instance, not to provide the left with any further ammunition for use against the government, and it was argued that Britain's appeal would help to improve her League image; the effects of this would be accentuated since it contrasted strongly with the traumatic experience of the Manchurian crisis.

It is important to remember that at this time the Manchurian dispute was still very much in the minds of those working within the Foreign Office, especially as the League was still proceeding in 1933 with the Chinese appeal under Article XV of the Covenant. During the early part of December 1932 the League Assembly had been in session in order to deal with the Lytton report, a meeting at which Simon and Malkin represented Britain. This was followed in January 1933 with the meeting of the Committee of Nineteen, although by this time, the first stage under Article XV, that is the attempt at conciliation, was rapidly drawing to a close, with the two disputants, China and Japan, as far apart as ever. If conciliation failed, the Assembly would then be compelled to report upon the situation, and as the report was likely to censure Japan it would raise certain difficulties for Britain, who had neither the will nor the ability to participate in military sanctions against Japan. Hence, as regards the dispute with Persia, it was deemed desirable that Britain should not act as a party to the further depreciation of the League's prestige. It appeared vital to avoid antagonising League opinion any further. During the Cabinet's consideration of the Lytton report on 23 November 1932, Simon declared that, although Britain should not involve herself in complications with Japan, 'we ought to act as a loyal member

CONTEMPORARY HISTORY

of the League.⁴⁴ In the Far Eastern Dispute, Simon was likely to encounter some difficulty in reconciling these two propositions, although in Britain's dealings with Persia, Simon could not afford to appear to abandon loyalty to the League and to its principles. France and Italy also indicated that they would support Britain at the Council, while the confidence of the Foreign Office in the British case led to the belief that there was little to fear anyway from the mediation of a third party.⁴⁵

Thus, Britain's utilization of the Council was decided upon not so much out of love for the League as on account of the fact that she would benefit from such a course. The aim in appealing to the League was to promote a settlement through conciliation and there was no intention, during the early stages of the Council's deliberations, to place Persia in the dock. Under Article XV of the Covenant, the Council initially performed the rôle of a conciliator rather than that of a tribunal, although a Council decision and sanctions remained in the background. The Council might be able to put moral pressure upon Persia and it appeared that the Teheran government could more easily accept a settlement proposed by the League which nationalist pressure would render it difficult to accept from Britain. Thus, the League was used by Britain as an instrument of policy, to be resorted to or not according to the circumstances. The episode provides yet another illustration of Britain's pragmatic approach towards the League, and of the fact that the League depended upon the great powers for its power and influence. As the League was not yet a super-state, only the member governments could endow the Council with authority; as an association of sovereign nations functioning upon the principle of unanimity, the League was like a puppet, depending upon the great powers to operate its strings.

During the inter-war period, the development of oil in the Middle East faced several technical and economic problems,

⁴⁴Cabinet Minutes, CAB 23/72, 62(32), 23 November 1932.

⁴⁵Sir R. Graham, British ambassador in Rome, to Oliphant, 6 January 1933, FO 371/16933. E 194/17/34(33). W. E. Tyrrell, British ambassador in Paris, 25 January 1933, FO 371/16934. E 499/17/34(33).

ANGLO-PERSIAN OIL DISPUTE 1932-33

such as the distance of oil-fields from the areas of consumption and the difficulties deriving from the terrain and the climate, while there were also significant political obstacles which, as demonstrated in this article, were to prove disquieting. Although it has been argued that the new agreement was too complicated and that this, taken together with an emergent and suspicious nationalism, ensured future problems, it cannot be denied that there was, in the short term, a significant improvement in relations between the APOC and the Persian government.⁴⁶ The major difficulty for the APOC in the future was likely to be Persian nationalism, and although there were portents of this in the thirties, the full significance of this did not become apparent until the period succeeding the Second World War, and in particular not until the year 1951.

⁴⁶e.g. see Rendel, 81. The improvement of the company's position is seen in the following figures:

	Net Profits	Production of oil (tons)	Royalty for Persia
1933	£2,653,978	7,086,706	£2,189,853
1936	£6,123,469	8,198,199	£3,545,313
1938	£6,109,477	10,195,371	£4,270,814

In 1939 the APOC employed 30,000 Persians, 1200 British, 950 Indians, and 70 Goanese.