

CHAPTER 2 - BANKEUPTCY, REVOLT AND BETRAYAL

a. For the last years of the nineteenth century and the beginning of the twentieth, the problems of Iran were both internal and external, with each acting on the other in various and intricate ways. The rivalry between the two imperialisms speeded up the process by securing increasing economic and political controls over the internal affairs. When Britain obtained a concession on the South, Russia demanded one in the North, and vice-versa so that the two powers put the country on the block and divided it at the same time.

Before 1906, the social system in Iran included a class of grandees, whose privileges and power rested in the main on the ownership of land. Most of the landlords lived in relative luxury in the cities, particularly in the capital. A fairly numerous and influential middle class had developed in the towns consisting of government officials, army officers, artisans, scribes, merchants, and tradesmen. At the base of this system were the millions of peasants, practically bound to the soil, huddled in walled villages for solidarity and security. They barely subsisted under conditions of most extreme poverty and over all, the Moslem clergy exercised an authoritarian influence.

This primitive society was ruled by the Shah, with the government completely concentrated in this absolute despot. He possessed rights over the lives and properties of his subjects, unlimited by any constitution or any charter of liberties. In such circumstances, the British and

Russian diplomats vied one with the other, in the court to win the confidence of the rullers in order to secure more and more economic and political advantages. This was made easy by the avarice of Nasser ed-Din, and his successor, Mozaffar ed-Din, Shah, from 1896 to 1907, an incompetent and weak ruler, whose reign marked the acute phase of the rivalry of Russia and Britain. So, while Russia was thus expanding southward, the nation of shopkeepers attempted to secure economic advantages.

In 1878 a naturalized British subject, Baron de Reuter, obtained a sweeping seventy years concession from the Shah, which gave him the right to construct roads, exploit all mines except those of gold, silver and precious stones; to construct waterworks and regulate the rivers and telegraph-lines.

This grant opened a dramatic new chapter that may justly be labeled as the race for concessions in Iran.

The Russians, upon learing of Reuter's concession, did not stand idly by. The Shah, who in 1873 made a tour of European capitals, was frigidly received at St Petersburg, and decided, under Russian pressure, to cancel the concession. Reuter appealed to the British government for protection and after lengthy diplomatic maneuvers, IIran as compensation granted two concessions to British interests; one for the Imperial Bank of Iran, with the right to issue banknotes, and one for the Imperial Tobacco Corporation of Iran.

To satisfy the Russians, the Shah was compelled to allow them to establish a Russian discount and loan bank, as well as to construct a railway line in Azerbaijan. Even these concessions did not appease the northern neighbors. Russian agents skillfully instigated a popular move-

ment against tobacco, which ended in the cancellation of the British tobacco concession. This time the government agreed to pay the aggrieved British investors half a million pounds sterling for damages.

During this period, Russian political and economic domination became more and more pronounced. Not only was Russia supreme in the five Iranian provinces adjoining her borders, but she also maintained a firm hold on the **Shah** in Teheran by granting him large loans which he used for his own enjoyment.

In 1900, while Iran was to liquidate the earlier British loan, which had been granted to Shah Nasser-ed Din for his trip to Europe, using the customs of the Persian Gulf Coast as security (1892), Russia through the Banque d'Escompte de Perse (practically a branch of the Russian Finance Ministry) granted Iran a loan of $22\frac{1}{2}$ million rubles, with the customs of all Iran, excepting the Gulf Coast, as security.

In 1902 the Russian government added another loan, receiving in return the concession for a road from Julfa to Tabriz and Teheran; also Russian troops were stationed in various parts of Iran, and an Iranian Cossack Brigade was officered by the Russians. Russia benefited greatly also from the special customs tariff favoring her goods.

Under the circumstances it is no wonder that the foreign powers took advantage of the avarice of the Iranian court and the lack of any real knowledge, administrative ability of statesmanship. A British subject, W.K. D'Arcy (28th May 1901), managed to obtain an important oil concession, which conferred on D'Arcy the authority to search for, obtain, exploit, develop, render suitable for trade, carry away and sell natural gas, petroleum, asphalt and ozokerite, throughout the whole extent of the Iranian

Empire, with the exception of the five northern provinces adjacent to Russia. The government was to receive 20,000 and the same amount in paid-up shares, and was to have 16% of the annual profits. So by the end of the nineteenth century most of the country's resources and technical projects were exploited or directed by British and Tussian interests.

Anyway, the Russian loans which were extended to the Shah for his luxurious journey to Europe, as well as to enrich government officials, clergy, and others, deepened Iranian dependence upon the Tsar, who enjoyed his monopolistic role as creditor and who took care to ask for Iran's customs revenues as a guarantee, as well as other advantages.

In that situation, under the pro-Russian Court and its satraps, the mass of the population, illiterate, ignorant, and inarticulate, showed a common feeling, that of distrust and fear, directed on the one hand toward the privileged and powerful above them, especially the officials of the government, and on the other hand toward the foes from without and the bandits and rebels from within.

The country provided one of the world's most complete examples of economic retardation and improverishment, its resources practically untouched. On this foundation of stagnancy and decay the Shah's crude structure of public finance seemed to be tottering to certain collapse. Revenues automatically diminished as wealth declined. Not only were the Shah's tax collectors incompetent rogues, but in many cases the monarch or his ministers, in return for an initial bribe and a guaranteed minimum of revenue, farmed out taxes to private individuals, who took their percentage and whatever additional they could gouge from the tax payers. Most of the shrunken budget went to the army, to the court and harem, and to favored individuals

in the form of pensions and subsidies. The autocrats postponed ruin for a time in the easy way of the shiftless, by borrowing money and disposing of assets. They proceeded to sell to Britain and Russia what amounted to the future economic life of the country and with it the prospects of independence.

b. REVOLT. During the first decade of the twentieth century Iran was in political ferment.

The victory of Japan over Russia, 1904-1905, made a great impression on the people of the Orient; this as well as the Russian revolution of 1905 exerted an influence on some intellectual Iranian people, whom were discontented at the granting of monopoly exploitation to foreigners and the selling the country's rights to the highest bidder. They thought that the autocratic Shah was an anomaly in the twentieth century and struggled for some semblance of political liberation. But the power of the Shah and influences of foreign politics did not permit them to openly express their wishes.

In 1905, rivalry between Britain and Russia played an important part in opening a new era in Iranian history.

Britain, who resented the friendliness of the court toward Russia, who supported the reactionary rulers in Teheran, felt that her interests would be promoted by a constitutional regime and she identified herself with the constitutionalists. Finally, in July 1906, the crisis came to a head. The British Legation at Teheran lent encouragement to the revolution, while Russia was unfavorably disposed.

Several thousand Iranian merchants, representing the democratic bourgeois trend, students, some religious leaders, and others, massed together in the spacious gardens of the British legation in Teheran, encamped for several days in the legation's compound, and presented th Shah with an ultimatum.

The movement aimed to curb the Shah's power, particularly in economic and financial affairs, and externally to save Iran for the Iranians.

This demonstration, which occurred August 5, 1905, was quite effective. The Shah was obliged to yield to the popular demand, and he dismissed the prime minister, Ayn ud-Dola. The powerful and corrupt minister was held chiefly responsible, and the Shah agreed to the convocation of a national assembly. On December 30, 1906 he issued a decree establishing constitutional regulations. This decree was followed by the National Assembly and signed by the Shah on October 8, 1907.

These two documents, comprising the Constitution of Iran, created a government on the Belgian model, transferring the governing power largely to a popular assembly, but retaining the monarchy and leaving the King in command of the army. Provision was made for popular elections at intervals of two years, for a Majlis or parliament and for a prime minister and ministers responsible to it. This struggle and revolution in Iran brought about a transference of political powers, but had no parallel with the French Revolution of 1789 and the Russian of 1917, which resulted in the disappearance of feudalism, as it made no fundamental alteration in the social or economic structure.

Yet, with all of its limitations, it marked an event of importance: a successful assertion by Iranians against internal and external powers. The resulting constitution set up a standard and provided a framework for the construction of a stable and efficient political organization.

c. BETRAYAL. The first Majlis (Parliament) met at Teheran and drew up the constitution of the accepted liberal type. The Shah died shortly after signing it and was succeeded by his son, Mohammed Ali Shah (1907-

1909), one of the worst of his degenerate dynasty, and one whose reign started out most inauspiciously.

The success of the Democrats was intensely resented by the Russians, who felt that it was engineered by the British and considered it a threat to their own ascendancy in Iran. They forcibly intervened to prevent such reforms from materializing, and encouraged the reactionary Shah to repudiate the constitution. The Shah, who hated and despised his subjects from the beginning of his career, had a notorious scoundrel for his Russian tutor, and became the avowed tool and satrap of the Russian government and its agents in Iran for stamping out the rights of the people.

He, along with his favorites, thoroughly reactionary ministers and court party, was determined to wield the old arbitrary and cruelly oppressive powers. He intrigued with Russian emissaries against his own people and actually contracted for a secret loan of 400,000 to be squandered himself, though the arrangement was shortly afterwards discovered and balked by the Majlis.

The deputies of the Majlis were becoming more and more convinced that the Shah and his party regarded them as enemies to his plans, and they determined to assert their strength to bring about the reforms which were most urgently needed.

A period of great confusion followed, and matters went from bad to worse. In Europe, however, the fully armed powers were maneuvering in anticipation of the war that came in 1914. France had entered into an alliance with Russia and an Entente with the British. Now, in view of the larger European issues, Britain and Russia as well as France desired to remove sources of friction in southwestern Asia. Consequently, on August 31,

1907, the so-called Anglo-Russian Convention was signed at St. Petersburg between England and Russia, by which these two powers, both uneasy about German policy in the Near East, drew two lines across the map and created two zones of influence. - Russian and British. The southeastern part of the country was reserved as a British sphere, while the entire northern half of the country became a Russian sphere. A central belt was to be left open to concessions for either party. On September 4 it was made public at Teheran, and despite its carefully worded assurances of respect for the integrity and independence of Iran, this famous document produced a most painful impression on the Iranian people.

The parts most affecting Iran may well be inserted here:

CONVENTION.

His Majesty the King of the United Kingdom of Great Britain and Ireland, the British Dominions beyond the Seas, Emperor of India, and His Majesty the Emperor of All the Russias, animated by the sincere desire to settle by mutual agreement different questions concerning the interests of their States on the Continent of Asia, have determined to conclude Agreements destined to prevent all cause of misunderstanding between Great Britain and Russia in regard to the questions referred to, and have nominated for this purpose their respective plenipotentiaries, to with;

His Majesty the King of the United Kingdom of Great Britain and Ireland and of the British Dominions beyond the Seas, Emperor of India, the Right Honorable Sir Arthur Nicolson, His Majesty's Ambassador Extraordinary and Plenipotentiary to His Majesty the Emperor of All the Russias:

His Majesty the Emperor of All the Russias, the Master of his Court Alexander Iswolsky, Minister for Foreign Affairs:

Who, having communicated to each other their full powers, found in good and due form, have agreed on the following: - -

ARRANGMENT CONCERNING PERSIA.

The Governments of Great Britain and Russia having mutually engaged to respect the integrity and independence of Persia, and sincerely desiring the preservation of order throughout that country and its peaceful development, as well as the Permanent establishment of equal advantages for the trade and industry of all other nations;

Considering that each of them has, for geographical and economic reasons, a special interest in the maintenance of peace and order in certain provinces of Persia adjoining, or in the neighborhood of, the Russian frontier on the one hand, and the frontiers of Afghanistan and Baluchistan on the other hand; and being desirous of avoiding all cause of conflict between their respective interests in the above-mentioned Provinces of Persia:

Have agreed on the following terms: - -

I.

Great Britain engages not to seek for herself, and not support in favor of British subjects, or in favor of the subjects of their Powers, any Concessions of a political or commercial nature - - such as Concessions for railways, banks, telegraphs, roads, transport, insurance, &c. -- beyond a line starting from Kasri-i-Shirin, passing Isfahan, Yezd, Kakhk, and ending at a

point on the Persian frontier at the intersection of the Russian and Afghan frontiers, and not to oppose, directly or indirectly, demands for similar Concessions in this region which are supported by the Russian Government. It is understood that the above-mentioned places are included in the region in which Great Britain engages not to seek the Concessions referred to.

II.

Russia, on her part, engages not to seek for herself, and not to support in favor of Russian subjects, or in favor of the subjects of third Powers, any Concessions of a political or commercial nature -- such as Concessions for railways, banks, telegraphs, roads, transport, insurance, &c. -- beyond a line going from the Afghan frontier by way of Gazik, Birjand, Kerman, and ending at Bunder Abbas, and not to oppose, directly or indirectly, demands for similar Concessions in this region which are supported by the British Government. It is understood that the above-mentioned places are included in the region in which Russia engages not to seek the Concessions referred to

III.

Russia, on her part, engages not to oppose, without previous arrangement with Great Britain, the grant of any Concessions whatever to British subjects in the regions of Persia situated between the lines mentioned in Articles I and II.

Great Britain undertakes a similar engagement as regards the grant of Concessions to Russian subjects in the same regions of Persia.

All Concessions existing at present in the regions indicated in Articles I and II are maintained.

IV.

It is understood that the revenues of all the Persian customs, with the exception of those of Farsistan and of the Persian Gulf, revenues guaranteeing the amortization and the interest of the loans concluded by the Government of the Shah with the "Banque d'Escompte et des Prets de Perse" up to the date of the signature of the present Arrangement, shall be devoted to the same purpose as in the past.

It is equally understood that the revenues of the Persian customs of Farsistan and of the Persian Gulf, as well as those of the fisheries on the Persian shore of the Caspian Sea and those of the Posts and Telegraphs, shall be devoted, as in the past, to the service of the loans concluded by the Government of the Shah with the Imperial Bank of Persia up to the date of the signature of the present Arrangement.

V.

In the event of irregularities occurring in the amortization or the payment of the interest of the Persian loans concluded with the "Banque d'Escompte et des Prets de Perse" and with the Imperial Bank of Persia up to the date of the signature of the present Arrangement, and in the event of the necessity arising for Russia to establish control over the sources of revenue guaranteeing the regular service of the loans concluded with the second-named bank, and situated in the region mentioned in Article I of the present Arrangement,

the British and Russian Governments undertake to enter beforehand into a friendly exchange of ideas with a view to determine, in agreement with each other, the measures of control in question and to avoid all interference which would not be in conformity with the principles governing the present Arrangement. End.

In fact, the Majlis and the people of Iran were in total ignorance of the conclusion of the convention until its unheralded publication in Teheran on September 4. The populace grew very excited, there were demonstrations and ferments in Teheran, and on the following day the British Minister at Teheran, Sir Cecil Spring-Rice, made an official communication to the Iran Government explaining the true intent and meaning of the obnoxious convention in the following language;

TRANSLATION OF THE OFFICIAL COMMUNICATION CONCERNING THE NATURE AND OBJECTS OF THE ANGLO-RUSSIAN CONVENTION, TRANSMITTED IN PERSIAN BY THE BRITISH MINISTER IN TEHERAN TO THE PERSIAN MINISTER FOR FOREIGN AFFAIRS ON THE 4TH SEPTEMBER, 1907:

" Information has reached me that the report is rife in Persia that the result of the Agreement concluded between England and Russia will be the interveation of these two Powers in Persia, and the partition of Persia between them. Your Excellency is aware that the negotiations between England and Russia are of a wholly different character, since the Mushiru'l-Mulk recently visited both St. Petersburg and London, and discussed the matter with the Ministers for Foreign Affairs of both Powers, who explicitly declared to him the objects aimed at by their respective Governments in Persia, which assurances he has no doubt duly reported.

" Sir Edward Grey has informed me of the substance of his conversations with the Mushiru'l-Mulk, and also of the substance of M. Iswolsky's declarations, officially communicated to the British Government.

" Sir Edward Grey informs me that he has explained to the Mushiru'l-Mulk, that he and M. Iswolsky are completely in accord on two fundamental points.

" Firstly, neither of the two Powers will interfere in the affairs of Persia unless injury is inflicted on the persons or property of their subjects.

" Secondly, negotiations arising out of the Anglo-Russian Agreement must not violate the integrity and independence of Persia.

" Sir Edward Grey also observes that hitherto antagonism has existed between England and Russia, each of whom has endeavored to prevent the continuance of the other in Persia, and had this antagonism been prolonged in the present uncertain state of Persia, one or both of these two Powers

might have been tempted to interfere in the internal affairs of Persia, so as not to allow the other to profit by the existing state of things, or to profit by it to the detriment of others. The object of the present negotiations between England and Russia is to prevent such difficulties from arising between them and these negotiations are in truth in no wise directed against Persia, as M. Iswolsky has clearly explained to the Mushiru'l-Mulk, saying, 'Neither of the two Powers seeks anything from Persia, so that Persia can concentrate all her energies on the settlement of her internal affairs.' Both Ministers are entirely in accord as to the policy of non-intervention in Persia, and have left no possible ground for doubt in the matter. M. Iswolsky's words, which include the intentions of England, are as follows: -- 'Russia's general principle will be to refrain from any kind of intervention in the internal affairs of other countries so long as nothing injurious to her interests is done; and it is quite impossible that she should deviate from this principle in this present case.'

"As to the reported partition of Persia between Russia and England concerning which it is asserted that the two Powers above mentioned wish to define spheres of influence for themselves, Sir Edward Grey, and M. Iswolsky have explicitly declared that these reports have no foundation. What the two Powers desire is to come to an agreement which will prevent future difficulties and disputes from arising, by guaranteeing that neither Power will aim at acquiring influence in those parts of Persia which are adjacent to the frontier of the other. This Agreement is injurious neither to the interest of Persia nor to those of any other foreign nation, since it binds only England and Russia not to embark on any course of action in Persia calculated to injure the interests of the other, and so in the future to deliver Persia from those demands which in the past have proved so injurious to the progress of her political aspirations. This is what M. Iswolsky says: --

"This Agreement between the two European Powers which have the greatest interests in Persia, based as it is on a guarantee of her independence and integrity, can only serve to further and promote Persian interests, for henceforth Persia aided and assisted by these two powerful neighboring States, can employ all her powers in internal reforms.'

"From the above statements you will see how baseless and unfounded are these rumors which have lately prevailed in Persia concerning the political ambitions of England and Russia in this country. The object of the two Powers in making this Agreement is not in any way to attack, but rather to assure forever the independence of Persia. No only do they not wish to have at hand any excuse for intervention, but their object in those friendly negotiations was not to allow one another to intervene on the pretext of safeguarding their interests. The two Powers hope that in the future Persia will be forever delivered from the fear of foreign intervention, and will thus be perfectly free to manage her own affairs in her own way, whereby advantage will accrue both to herself and to the whole world."

The convention however did not partition Iran but it set up spheres of influence which in the natural course of events, would probably have

led to a partitioning. The agreement provided for the division of Iran into Russian and British spheres of influence and, naturally, provokes indignation among the Iranians. The British gained a bad reputation which to this day has never improved. From the Russian point of view the agreement was a distinct advantage as it gave them control of large areas in Iran and brought them closer to India and the Persian Gulf. Consequently their influence in Teheran assumed more and more the proportions of a protectorate. The Isar's troops repeatedly entered the country, and in the North were in almost constant military occupation. Russian representatives continued to interfere in various ways with internal government affairs at the capital. The political situation inside the country became worse rather than better, for the Shah felt that now he could act with the tacit if not overt support of the Russians. So, in June 1908, the Shah caused the arrest of a number of constitutionalists, whom he had invited to confer with him, and ordered the Cossack brigade, trained and officered by Russians, to disperse the Majlis and its partisans. Then, the Russian colonel, Liakhoff, with six other Russian officers surrounded the Majlis buildings and occupied the adjoining streets, disposed their troops and six cannon, and opened fire on the Majlis buildings, killing a number of Nationalist volunteers. Some very well-known Nationalists were arrested and strangled. The Shah appointed well-known reactionaries to government posts held by constitutionalists, declared martial law in the city and placed Colonel Liakhoff in supreme command. He remained the virtual dictator of Teheran although he was a Russian officer, wearing a Russian uniform and receiving pay from his government.

Teheran was in the Shah's power, but as a result the people of Tabriz revolted and drove the Shah's partisans from the city. The Shah's forces laid siege to Tabriz, but the siege ended in the spring of the following year when Russian troops entered the city to protect foreigners. Meanwhile, supporters of the constitution assembled in various parts of the country to march on Teheran and restore the Constitution and reconstitute the Majlis. In July 1909, the Bakhtiyari tribesmen captured Teheran and deposed the Shah, who had taken refuge in the Russian embassy. Seeing that his position was untenable, he fled the country. In 1911 he tried to regain his throne with Russian support but was defeated after landing on the south Caspian shores. He had been openly assisted by the Russians, who in the same year invaded the country and temporarily occupied Tabriz. The British supported the Constitutionalists, and British-Russian rivalry continued with no perceptible change of attitude on the part of the two empires.