

# IRAN'S POLITICAL AND ECONOMIC SITUATION DURING THE BRITISH-SOVIET MILITARY OCCUPATION

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## **Abstract**

Iran's economic and political situation underwent significant changes during World War II, largely due to the country's strategic position and external political pressures. The British troops occupied the southern part of Iran, and the Soviet troops occupied the north, which established their complete domination in the regions under their control. The military occupation of Iranian territory by British-Soviet troops greatly affected the economy and political landscape of Iran, which led to the need to fight for the country's sovereignty and economic stability.

**Key words** – Iran, Great Britain, USSR, World War 2, Occupation, Reza shah, Land Lease.

## **Prelude to Crisis**

During World War II, Iran's economy was greatly affected, which affected the living standards of the Iranian people. By the end of 1941 and the beginning of 1942, unrest began in certain regions of Iran due to the lack of basic economic goods. The southern regions had already suffered drought for several years, leading to famine. Even though AIOC was located in the Abadan sector, it, too, suffered from poverty, hunger, and disease. The population of the area was under a lot of stress due to the military occupation of the Iranian territory. As a result, intense speeches were made in the Mejlis of Iran, directed against the supporters of signing the Anglo-Soviet alliance with Iran. Prime Minister of Iran, M. Forughi, trying to gain support among the population, announced that the treaty with the allies, especially with Great Britain, did not have the support of the Iranian people because they were afraid that the situation created after the Anglo-Iranian treaty in 1919, when Iran almost lost its sovereignty, would be repeated.

## **The Tripartite Agreement and its Motivations**

1942, a tripartite agreement was signed between Great Britain, the USSR, and Iran. The agreement defined the political and legal relations between these

nations and Germany during the war. Iran committed to supporting the Allies by providing a corridor for supplying military products to the USSR through its territory. The supply of munitions and other necessary goods to the USSR under the Lend Lease program was crucial. A quarter of all goods sent to the USSR during the war passed through Iran<sup>1</sup>.

On January 28, 1942, the tripartite agreement, consisting of 9 points and three annexes, was approved with a vote of 80 out of 93 members of the Majlis of Iran. After a month of debates and dialogues, the Foreign Ministers of Iran, Great Britain, and the USSR, R. Bullard, Smirnov, and Ali Sohaili, signed the contract at the Ministry of Foreign Affairs of Iran building. Mohammad Reza Shah also approved the agreement<sup>2</sup>.

The signing of this agreement was motivated by several factors, including:

1. Mohammad Reza Shah's decision to change Iran's foreign policy after his father Reza Shah's policy of neutrality failed.
2. The disarmament of the gendarmerie and police forces by Soviet troops in various cities of Iran, the seizure of Iranian trucks by the Red Army, the capture of many Iranian officers, the bombing of the vicinity of Tehran by the USSR Air Force, and the deployment of the Red Army in Ghazvin. These events became a major concern for the Iranian government.
3. Great Britain needed to demonstrate the presence of its armed forces in Iran legally through the trilateral cooperation agreement with Iran. This was necessary to ensure against possible refusal by the Soviet Union to withdraw its troops from Iran after the war<sup>3</sup>.

Foroughi believed that the tripartite agreement, signed between Iran, Germany, and Italy, would neutralize the threat to Iran's independence and sovereignty and guarantee the withdrawal of allied troops<sup>4</sup>. According to Iranian author Ali Babayi, the tripartite agreement, along with Foroughi's political efforts and Great Britain's consistent steps, paved the way for the British to spread their influence in Iran<sup>5</sup>.

Ahmad Ghawam later replaced A. Sohaili as the Prime Minister of Iran on August 6, 1942<sup>6</sup>.

After the Shah approved the Tripartite Treaty, British and Soviet military units were withdrawn from Tehran and its surrounding areas.

<sup>1</sup> Оришев 2009, 210.

<sup>2</sup> ۲۴۰-۴۱، ۱۳۹۴، دامغانی

<sup>3</sup> ۳۱۳۷۶، ۱۰۴-۱۰۶، از غنوی

<sup>4</sup> ۱۱۰، ۱۳۹۶، میر احمدی

<sup>5</sup> ۸۷، ۱۳۷۵، علی بابایی

<sup>6</sup> ۶۱۰۷-۱۰۸، ۱۳۷۵، علی بابایی

Clause 1 of the treaty stated that the Allies jointly and severally agreed to respect Iran's territorial integrity, sovereignty, and political independence. Clause 5 stated that Allied troops should be withdrawn from Iranian territory in the event of hostilities between the Allies and Germany and its allies no later than six months after completion<sup>7</sup>.

However, soon after the conclusion of the treaty, it became evident that the Allies were not inclined to abide by its provisions.

According to the treaty, the occupying troops were supposed to import the food necessary for their needs abroad. However, the Soviet troops, who controlled the northern regions of Iran rich in wheat, prevented the wheat supply from that region to the capital and other parts of the country. As a result, a serious bread shortage emerged in the country.

### **Economic Consequences of the Occupation**

The British believed that the USSR wanted to use political pressure on pro-British governments in Iran. In response, they imported wheat to Iran through the "Middle East Supply Center" in Egypt. However, the Mejlis of the National Council were unwilling to pay for the Allies' expenses in Rials. The British proposed printing additional banknotes to cover the cost, but the Mejlis disagreed. As a result, the British refused to supply food to the people of Iran, which worsened the bread shortage in the capital. This led to the resignation of the government of Ghavam os Saltane<sup>8</sup>.

In his book "Mission for My Homeland", the last Shah of Iran mentioned that the Allies needed to issue large amounts of Iranian currency notes to pay for their forces and expenses. However, this was against the country's legislation, and the Allies demanded that the Prime Minister, Ghavam, fulfill their demand by passing a new bill through Parliament. Ghavam stated that this was impossible and that the Parliament would not ratify such a rule. As a result of these negotiations, the English Ambassador Plenipotentiary came to the Shah and stated that they trusted Ghavam. Still, he could not do any work in the present parliament. Then, the Ambassador asked the Shah to publish the decree for the dissolution of the Parliament. The Shah believed this was evidence of the Allies' disregard for the country's legal balances and willingness to use any means necessary to fulfill their demands<sup>9</sup>.

After the Shah's pardon, a group of rioters appeared in Tehran. British troops, who had left the capital, re-entered it under the pretext of suppressing

<sup>7</sup> United Nations 1951, 279, <https://treaties.un.org/doc/Publication/UNTS/Volume%2093/v93.pdf>

<sup>8</sup> علی بابایی ۱۳۷۵، ۲۵۶

<sup>9</sup> Փափլափի 1973, 157:

the riots. This move threatened the Iranian parliament, forcing it to meet British demands<sup>10</sup>.

The British occupation forces used their military power to pressure the Iranian government and blackmail it into compliance.

Elgin Groseclose, a British financier who worked in Iran during those years, writes that the British government signed a financial agreement with Iran on May 26, 1942. The agreement fixed the exchange rate of the Iranian rial against the British pound at 128-130 rials per pound. The Iranian government was obliged to deliver unlimited rials at this rate<sup>11</sup>.

It is obvious that the financial contract was not concluded with the consent of the Iranian government but was a result of the aforementioned pressures and threats. The contract had negative and corrosive consequences for the Iranian economy.

### **Demographic Changes and Urbanization**

To better comprehend the economic crisis in Iran and the aftermath of its occupation, we need to examine the demographic profile of the country and its economic situation during the war.

At the beginning of World War II, Iran's population rose considerably, with estimates suggesting a total population of 14.3 million in 1939. The rural population was around 11.2 million, more than three times the size of the urban population, accounting for only 22% of the total population<sup>12</sup>.

Since 1941, the growth rate of the urban population has increased even more, reaching 4.4% between 1941 and 1956. In 1939, Tehran's population was 600 thousand. It is worth noting that most of the urban population was employed in agricultural production.

During the war, agricultural production suffered a negative impact. The yield of food crops decreased drastically as compared to pre-war levels. For example, the annual yield of wheat, Iran's most basic food crop, decreased from 1870 thousand tons in 1935-1939 to 1400 thousand tons in 1940-1944. Similarly, barley yield decreased from 790 to 600 thousand tons, rice from 390 to 350 thousand tons, and cotton from 38 to 23 thousand tons<sup>13</sup>. The situation was further aggravated by the disruption of communication between individual provinces, particularly between the northern regions occupied by the Soviet troops and the southern regions occupied by the British troops<sup>14</sup>. This led to a shortage

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<sup>10</sup> Φωήλῳ 1973, 157:

<sup>11</sup> Groseclose 1947, 176.

<sup>12</sup> Bharier 1971, 27.

<sup>13</sup> Bharier 1971, 134.

<sup>14</sup> Мамедова 2011, 64.

of food products in the Iranian market, resulting in social unrest and the bread problem in Tehran. The reduction in the supply of agricultural products from the northern regions occupied by the Soviet troops was the primary reason for the food crisis, as per Iranian literature. However, the explanation given by the Soviet military elite that they were guided by the need to provide food for their troops and the local population sounds illogical and unconvincing<sup>15</sup>.

Elwell-Sutton, a British researcher, notes in his work "Iranian Oil" that the economic consequences of these events were most tangible for ordinary Iranians. The Iranian currency, the dram, was severely devalued less than a year later, and economic goods began to disappear due to the Allies' waste of huge sums of money issued by the National Bank of Iran to expand Iran's transportation network. Speculators also began to hoard the goods, and the Russians banned the export of goods from the fertile northern regions under their control<sup>16</sup>.

In 1942, 2.5 thousand tons of sugar, 1.4 thousand tons of flour, and 1.8 thousand tons of wheat were imported from the USSR to Tabriz. Great Britain and the United States were obligated to provide food aid to Iran through the British-Iranian financial agreement. On May 3, 1942, the US extended aid to Iran under the Lend-Lease program. The occupation of Iran by the Anglo-Soviet military was undoubtedly the reason for the disastrous economic situation<sup>17</sup>.

### **International Relations and the Aftermath**

Despite claims by some Western and Russian researchers that Iran was extremely backward and in a difficult economic situation even before the war, the facts indicate otherwise. The main feature of Iran's economic development on the eve of World War II was the first phase of industrialization, including energy and transportation, largely within the state sector. Iranian enterprises were equipped with European, mainly German, equipment, the import control of which was under the full control of the state, even for private factories. Thus, at the beginning of the war, although the country's main sector remained agriculture, the industrial potential was rapidly increasing, mainly due to the construction of modern enterprises. Factory enterprises accounted for the main part of large enterprises' gross industrial output, reaching up to 16.5% in production<sup>18</sup>. Iran became of significant interest to the world market as an importer of equipment and technology before the war. However, Western countries saw Iran only

<sup>15</sup> Мамедова 2011, 65.

<sup>16</sup> Элвелл-Саттон 1956, 138.

<sup>17</sup> Мамедова 2011, 65.

<sup>18</sup> معذنی ۱۳۳۸، ۱۶۳.

as a supplier of raw materials like oil, mining industry products, and agricultural products<sup>19</sup>.

After Reza Shah, his son Mohammad Reza tried to create mass support for himself among the people of Iran by canceling criticism of writing, allowing free movement throughout the country, and holding a partial amnesty. The Iranian press also gained some freedom. The Shah wanted to preserve Iran's monarchy and the Pahlavi dynasty with these measures<sup>20</sup>. Iran declared war on Germany in 1943 and provided aid to the Allies. On September 9, 1943, the Tehran Conference mentioned it in the "Declaration adopted by the three superpowers on Iran." The governments of the USSR, USA, and Great Britain also stated in the declaration that they would maintain Iran's full independence, sovereignty, and territorial integrity after the war's end, as well as their agreement to provide possible economic assistance<sup>21</sup>.

### Conclusion

During the war, Great Britain and the United States bolstered their presence in Iran, but as the USSR gained victories on the war front, the gap between the USSR and Western superpowers widened. Great Britain turned to the United States for help maintaining its independence and imperial interests.

Following the military occupation of Iran, the country faced an economic crisis as the British and Soviet forces divided its territory into two spheres of influence, preventing the export of food and causing a serious grain problem.

The country's progress in economic, industrial, agricultural, and urban development sectors was nullified, and the population found itself in extreme poverty. At the same time, everything within the spheres of influence was confiscated and used only for their own needs.

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<sup>19</sup> Реза Годс 1994, 159.

<sup>20</sup> Кулагина 2011, 58-59.

<sup>21</sup> The Tehran Conference, November 28-December 1, 1943, <https://avalon.law.yale.edu/wwii/tehran.asp>

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## ԻՐԱՆԻ ՔԱՂԱՔԱԿԱՆ-ՏՆՏԵՍԱԿԱՆ ԻՐԱՎԻՃԱԿԸ ԲՐԻՏԱՆԱ-ԽՈՐՀՐԴԱՅԻՆ ՈԱԶՄԱԿԱԼՄԱՆ ՇՐՋԱՆՈՒՄ

Հայկ Սողոմոնյան

Ամփոփում

Իրանի տնտեսական և քաղաքական իրավիճակը զգալի փոփոխություններ էր կրել Երկրորդ համաշխարհային պատերազմի ընթացքում՝ մեծապես պայմանավորված երկրի ռազմավարական իրադրությամբ և արտաքին քաղաքական ճնշումներով: Բրիտանական զորքերը ռազմակալել էին Իրանի հարավային հատվածը, իսկ խորհրդային զորքերը՝ հյուսիսային մասը՝ լիակատար տիրապետություն հաստատելով իրենց վերահսկողության տակ գտնվող շրջաններում: Այդ հանգամանքը չէր կարող չանդրադառնալ Իրանի տնտեսական և քաղաքական իրավիճակի վրա: Ուստի անհրաժեշտություն էր առաջացել պայքարելու երկրի ինքնիշխանության և տնտեսական կայունության համար:

**Բանալի բառեր՝** Իրան, Մեծ Բրիտանիա, ԽՍՀՄ, Երկրորդ համաշխարհային պատերազմ, ռազմակալում, Ռեզա շահ, տնտեսություն, Լենդ Լիգ:

## ПОЛИТИЧЕСКОЕ И ЭКОНОМИЧЕСКОЕ ПОЛОЖЕНИЕ ИРАНА В ПЕРИОД АНГЛО-СОВЕТСКОЙ ВОЕННОЙ ОККУПАЦИИ

Айк Согомонян

### Резюме

Экономическая и политическая ситуация Ирана претерпела значительные изменения во время Второй мировой войны, во многом из-за стратегического положения страны и внешнего политического давления. Британские войска оккупировали южную часть Ирана, а советские войска – северную, в результате чего было установлено их полное господство в подконтрольных регионах. Англо-советская оккупация сказалась на экономике и политическом ландшафте Ирана, чем и была обусловлена необходимость борьбы за суверенитет и экономическую стабильность страны.

**Ключевые слова** – Иран, Великобритания, СССР, Вторая мировая война, оккупация, шах Реза, Ленд Лиз.