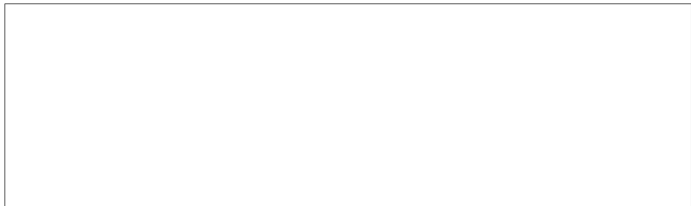


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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
23 July 1954



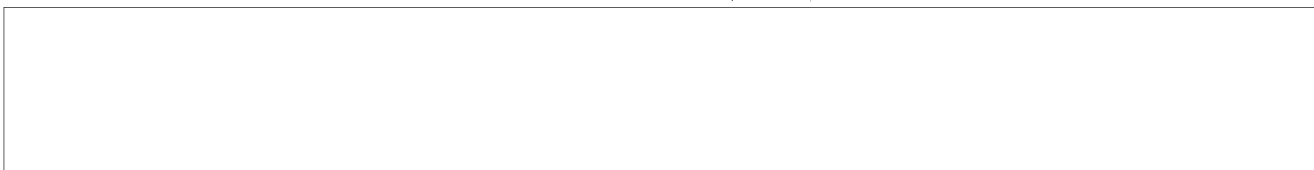
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TO: Deputy Director (Intelligence)
SUBJECT: Status of Iranian Oil Negotiations*

Despite public announcements in Tehran attributed to Iranian finance minister Amini that an oil settlement had been reached, such does not appear yet to be true. Agreement is apparently very close but Ambassador Henderson has not reported settlement in principle on all phases of the discussions, and the compensation negotiations between Britain and Iran are lagging.

1. Announcement of Agreement:

All parties to the anticipated settlement hope that the public announcement of a settlement will encompass all aspects of the negotiations, including compensation. However, it may be necessary to announce the successful termination of the consortium negotiations first in order to allay Iranian fears and to take advantage of the current favorable Iranian frame of mind. With respect to Amini's announcement, Henderson said: "It is unfortunate that the excellent Iranian reaction to this premature story might be followed by disappointment if it becomes necessary to deny categorically that agreement in principle has been reached." 25X1



State Dept. review completed

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Date:	20 JUN 1978

Howard Page, an official of Standard Oil of New Jersey and head of the consortium delegation, was expected to leave Tehran on 22 July for London with a draft aide memoire setting forth the points of agreement. He hoped to obtain the approval of the companies to the document and return with it to Tehran for initialing. Following that action, the final agreement would be drawn and presented to the Majlis when it reconvenes on 24 August.

2. Guarantee of an Oil Settlement:

Throughout the negotiations, the British government has been urging strongly that there be some sort of an arrangement whereby the Iranian government, outside the consortium settlement, would accept certain obligations for the faithful performance of the contract. The British position has been that the Iranian government should agree to regard its obligations toward companies in the consortium agreement as constituting obligations toward consortium governments as well. With considerable reluctance the Department of State has consented that Henderson, with the representatives in Tehran of the other consortium governments, approach the Iranian government with the suggestion that it write to one or each of the four governments a letter giving each of them the right, in case a dispute should arise in connection with oil agreement, to refer the dispute to the International Court of Justice unless some other procedure could be agreed upon.

The Dutch government has indicated that it is opposed to such an agreement which is contrary to "long established Dutch policies."

Although Henderson has exerted every effort to ensure that this matter of guarantees not prejudice a settlement, it might, unless handled with great a roitness, cause a reaction in Iran that would jeopardize acceptance of a settlement.

3. Iranian Financial Needs and the Oil Settlement:

Considerable danger exists that achievement of an oil settlement will be considered as the immediate solution of Iran's pressing financial problems. Henderson has repeatedly warned against this, pointing out that re-allocation of oil funds for budgetary purposes will not

solve the main problem; that budget deficit plus development needs will exceed the sum of Iranian financial availabilities. More immediately, the ambassador estimates that \$22,800,000 in aid will be required to meet the critical financial situation confronting the Iranian government during the period of 20 August to 31 December.

HUNTINGTON D. SHELDON
Assistant Director
Current Intelligence

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