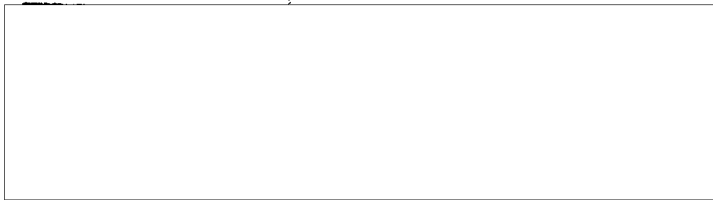


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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
9 July 1954

25X1



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

Ambassador Henderson continues to report from Tehran that progress is being made in the discussions between representatives of the consortium and the Iranian government. Apparently agreement in principle has been reached on management problems and problems pertaining to the organization, nationality and functions of the operating companies. The details of these preliminary arrangements, however, are not yet available.

The major item on which agreement in principle has not yet been announced pertains to the relationship between the consortium operations and Iran. While the Iranians continue to propose that the consortium function exclusively on behalf of Iran and the NIOC, the consortium desires that the agreement contain a statement that it will operate "on behalf of and for the mutual benefit of both parties." Henderson believes that a solution will be found soon, since the Iranian negotiators admit that the problem is primarily one of finding words which will not offend the Majlis and the Iranian public.

Other outstanding problems on which agreement has not yet been announced include: (1) the volume of offtake, which the Iranians wish to see raised; (2) price arrangements, including discounts; and (3) the duration of the agreement. The consortium at one point proposed 40 years, while Iranian negotiators have suggested a 20-year period.



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The British and Iranian governments are continuing negotiations on compensation. The delegates are now examining Iranian counter-claims and the British ambassador is reported to be hopeful that the Iranians will agree to a lump-sum settlement.

After over-all agreement in principle is reached, working details may raise difficulties requiring protracted discussions. A sudden stiffening of the Iranian government's attitude might result in further delays with attendant serious risks.

HUNTINGTON D. SHELDON  
Assistant Director  
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