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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

28 May 1951

MEMORANDUM OF INFORMATION NO. 74

FOR: National Estimates Board

SUBJECT: Anglo-Iranian Developments

The Anglo-Iranian oil dispute has reached a stage of complicated maneuvering. Both Iran and the UK have in some respects modified their original extreme positions. However, neither has dared to make a major concession to the other's point of view because of the pressure of public opinion in each country and because of the high stakes involved. There is a continuing danger that the critical developments listed in paragraph 3 of the Conclusions of [] may occur before a negotiated settlement can be achieved.

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The Iranian Joint Oil Commission has requested AIOC representatives to come to Tehran by 30 May to discuss implementation of the oil nationalization law. Although the request is couched as an ultimatum and would appear to demand AIOC participation in its own dissolution, there are a number of indications that the Iranian Government is prepared to negotiate a more moderate solution. Prime Minister Mossadeq wants an early settlement, is reportedly willing to permit continued AIOC operation of the oil installations under the purely nominal direction of an Iranian commission, and might well accept a financial arrangement that would in effect approximate the 50-50 profit-sharing deal which AIOC offered to discuss with Iran some months ago. At the same time, however, Mossadeq cannot publicly modify his position, and in order to counteract growing Iranian impatience he has abrogated the former custom's exemption on AIOC imports into Iran.

The UK is attempting to cope with the situation by means of the following four main lines of action:

- a. The UK has conditionally accepted the principle of nationalization and has agreed to send an AIOC representative to Tehran "to hear what the Oil Commission has to say." However, it refuses to negotiate on the basis of the oil nationalization law, which in effect obrogates AIOC's contract. UK agreement to "discuss implementation of the oil nationalization law" (which the Iranian Government has demanded) would constitute implicit UK recognition of Iran's right to abrogate the AIOC contract and would therefore

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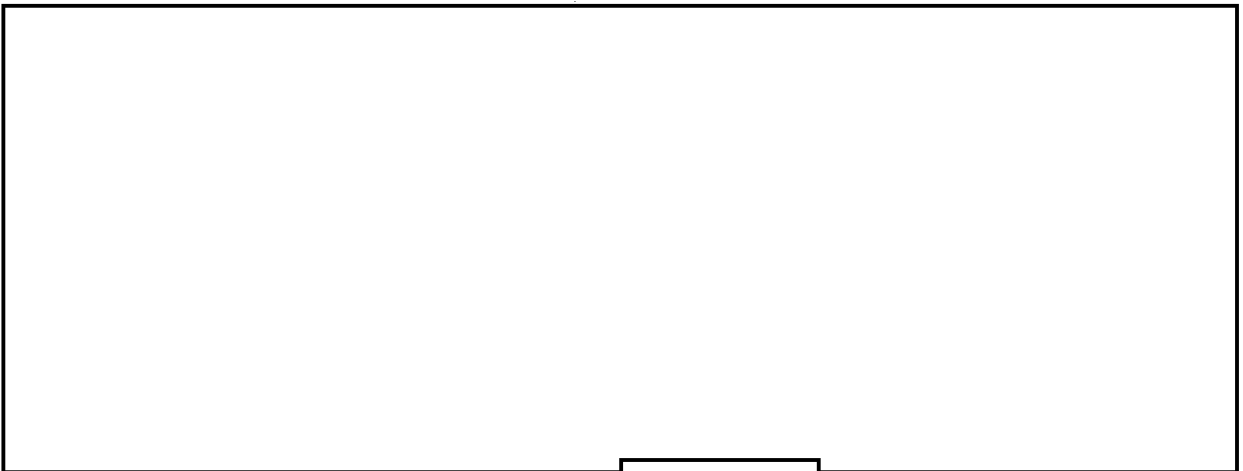
undermine the legal argument on which the British position in the oil issue primarily rests. Furthermore, while the UK might obtain a relatively favorable de facto settlement (as outlined in the second paragraph), it would have no guarantee that "nominal direction" of AIOC operations by an Iranian commission would in fact remain nominal. Once having forfeited legal control over oil operations in Iran, the UK would be in a weak position if in the future Iran attempted to make further changes in the oil industry affecting British interests.




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- ②. The UK has also submitted the dispute to the International Court of Justice in the expectation of a favorable ruling. By such action it hopes to reinforce its legal position and strengthen its hand in the event it feels compelled to land troops in southern Iran.

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There is considerable doubt whether  British moves will improve prospects of a settlement for the following reasons:

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- a. The Iranian Government may consider that the UK's decision to send a single AIOC representative to Tehran as an observer fails to meet the terms of its ultimatum and may, therefore, adopt direct measures after 30 May to take over AIOC's oil installations.

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- c. ICJ consideration of the Anglo-Iranian dispute will probably take a long time and can have little effect on the immediate crisis. If anything, British submission of the dispute to the ICJ will tend to harden Iran's conviction of British intransigence and, therefore, reduce any inclination Iran may have to modify its stand.
- d. It is extremely unlikely that Mossadeq's overthrow would improve the situation. An attempt to replace him by a more moderate government might well precipitate a revolutionary situation.

Tension is increasing in Tehran. The government has received no oil revenues for over a month, and demands for direct action against AIOC are increasing. The Tudeh Party has called for mass demonstrations on 29 May. Martial law in the oilfield areas will be lifted on 30 May unless the Majlis extends it before then. Mossadeq has urged its extension but has been strongly opposed by extremists in the Majlis. All these developments will tend to force the government to more extreme action.

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