DEPARTMENT OF STATE
WASHINGTON

October 22, 1951

MEMORANDUM FOR THE PRESIDENT

Subject: Luncheon Meeting with Prime Minister Mossadeq

In connection with your luncheon meeting on October 23 with Dr. Mossadeq, Prime Minister of Iran, there is enclosed a briefing memorandum in three parts:

Part I. Biographic Outline: Mohammad Mossadeq, Prime Minister of Iran

Part II. Background of Situation

Part III. Recommended Position in Discussions with Prime Minister Mossadeq

Enclosure:

1. Briefing Memorandum
Part I

Biographic Outline: Mohammad Mosadeq, Prime Minister of Iran

Dr. Mosadeq, about 75, is a large landowner and a member of one of Iran's ruling families. He is by training a lawyer and has spent most of his life in politics. He is alert, witty, affable and voluble. He has a lively imagination and is fascinated by ideas. He is emotional, impractical and unrealistic. He is bored by routine. Dr. Mosadiq's manner of life is simple but dignified. He has never been a sportsman, preferring books and conversation. His first-hand knowledge of Europe was gained before World War I during his years of study in France and in Switzerland where he received a doctorate in law. He has written books both on European and Iranian legal subjects, and is particularly well informed concerning the history and culture of Iran, of which he is very proud. The Prime Minister is abstemious in his habits and practices his Muslim faith. During the twenty-odd years that he taught law at the University of Tehran he turned back his salary for the purchase of library books. He is generally regarded as honest and idealistic. He speaks Persian and good French.

After his return from his studies in Europe, Dr. Mosadeq was a government official, serving periodically as provincial governor or cabinet minister and as deputy in the Majlis (Parliament). When Reza Shah took over the throne in 1925, Dr. Mosadeq was forced into retirement for opposing the increasingly autocratic actions of the Shah. He was imprisoned in 1930 and exiled. He was again imprisoned in 1941, but was released on the abdication of Reza Shah. Since 1944 he has served continuously in the Majlis as a representative from Tehran. He was chosen Prime Minister in April 1951 by unanimous vote of the Majlis on a promise to execute the widely popular law nationalizing the oil industry.

Throughout his political life, Dr. Mosadeq's actions have been dominated by two burning convictions: (1) that Iran should be freed from interference in its political and economic life by foreign countries, traditionally Russia and Great Britain and (2) that Majlis deputies should be freely elected by the entire population whose interests they should defend and promote. He contends that so long as there are strong foreign commercial interests in Iran there will be influential Iranians who, for personal profit, will support foreign goals at the expense of Iran. His contention is that until it becomes more profitable for influential Iranians to support Iranian rather than foreign interests, it will be impossible to establish national unity and a Majlis of deputies who truly reflect the wishes and interests of the Iranian people.
In his opposition to foreign interference, Dr. Mosadeq is supported by the majority of the population. In his fight for electoral reform his major support comes from a growing segment of the population which believes that the achievement of an effective voice in government is within their capability. This segment includes skilled labor, teachers, students, small shop-keepers, and almost all government employees. Dr. Mosadeq has confidence in the ability of his countrymen to westernize the economy of the country while retaining its cultural heritage. He knows that Iran needs foreign technical assistance, but he is determined to do without it if it is obtainable only at the expense of surrendering Iranian control.

The dangers in dealing with Dr. Mosadeq lie primarily in the character of his close advisers and supporters who include extreme leftist elements, unscrupulous opportunists, and rabidly anti-British figures. Foremost among these is the religious demagogue, Mullah Assamadi.

While Dr. Mosadeq is the leader of the social and political movement which is under way in Iran, he is at the same time the slave of the popular forces which have been released. Both Dr. Mosadeq and his supporters claim to want a new deal for the people, but their methods range from evolution to revolution. Dr. Mosadeq believes that the national effort as well as the large sums now utilized for the army could be used for social and economic development which would be of greater general benefit. He and most of his current supporters are opposed to communism and would not consciously permit its establishment in Iran, although their methods have to some extent strengthened the power of the illegal Jewish (Communist) Party.

Whether in office or not, Dr. Mosadeq will use every means at his disposal to maintain his political power, carry out the Iranian conception of nationalization, and defend Iran against foreign interference.
PART II

Background of Situation

Following the assassination last March of Prime Minister Mossadegh, the Iranian Government passed legislation nationalizing the oil industry in Iran. Dr. Monadeq, leader of the National Front, was swept into power by the strong nationalistic forces which centered their attention upon the oil issue and the expulsion of the British from Iran.

The nationalization legislation had the effect of canceling the concession given by the Iranian Government to the Anglo-Iranian Oil Company, which was to run until 1953. The British strongly opposed this action, contending that the Iranian Government had no right to cancel the contract unilaterally, but undertook to negotiate an agreed settlement. The United States has made clear its opposition to the Iranian unilateral cancellation of the AIOC contract and has strongly appealed to both parties to settle the dispute by negotiation.

Failing in direct negotiations, the British on May 26, 1951, submitted the matter to the International Court of Justice which, while not deciding the issue of jurisdiction, set forth on July 5 provisional measures which it asked the parties to accept on an interim basis. These measures would have the effect of maintaining the status quo and were readily accepted by the British. The Iranian Government, denying jurisdiction of the Court, refused to accept the measures and withdrew its recognition of the Court.

A negotiating mission headed by Mr. Basil Jackson, AIOC Director, which was dispatched as a result of our request, failed last June to reach an agreement with the Iranian Government, which insisted that the precise terms of the Iranian nationalization law must be accepted by the British. Following a breakdown of these negotiations, President Truman addressed a letter to Prime Minister Monadeq urging that the International Court of Justice proposals be given most careful consideration and offered to send Mr. Harriman as his personal representative to Tehran to assist in bringing about a settlement. The latter offer was accepted by Dr. Monadeq and Mr. Harriman arrived in Tehran on July 15.

Mr. Harriman was successful in bringing about a resumption of negotiations between the British, represented by Lord Privy Seal Richard Stokes, and the Iranian Government, and although the result was a narrowing of the area of disagreement between the two parties, the talks broke down on August 22.

By this time Iranian oil production had been completely stopped and
failure to reach an agreement even on interim measures resulted in cessation of shipments from Ahwaz. The British staff had been reduced to some 150 technical personnel. The situation was aggravated by British claims of mistreatment of their personnel in South Iran. British warships had been ordered to stand by near Ahwaz, and troops were alerted in the Near East area for possible action in Iran if the situation required it.

On September 15, Dr. Mosadeq set forth in a letter to Mr. Harriman proposals for the resumption of negotiations with the British and indicated that failure by the British to begin talks within 15 days would compel the Iranian Government to expel the technicians remaining at Ahwaz. Mr. Harriman declined to pass the message on to the British as requested by Dr. Mosadeq, and set forth the reasons why he felt the proposals could not form the basis for the resumption of negotiations.

In the latter part of September, Dr. Mosadeq, through the Iranian Palace, submitted slightly amended proposals directly to the British without, however, including an ultimatum. These were summarily rejected by the British, and on September 25 the Iranian Government ordered the remaining technicians to depart not later than October 4.

At this point the British Government decided to take the matter to the Security Council. It also decided that the British technicians could not be retained in Iran and ordered their removal before the effective date of the Iranian expulsion order.

On October 2, the Security Council agreed to include the British complaint on its agenda, but postponed consideration of the item in order to provide time for Prime Minister Mosadeq, who opposed any Security Council action on the ground that it did not have competence, to come to New York to represent Iran before the Council. The debate was begun on October 15, with sharp statements by the British and Iranian delegations.

In the course of the Council's deliberations the British, urged by the United States delegation, modified their original resolution making it far more conciliatory in tone. At the Council's meeting on October 19, however, it was clear that the British did not have the required seven votes for the amended resolution. The British delegation therefore decided to accept a French proposal that the Council's consideration of the matter be adjourned until the International Court of Justice had rendered a decision upon the question of its own competence in the dispute, since such finding would have a bearing upon the question of the Council's competence. This proposal was accepted by the Council.

The United States position in the Council has been to support the British upon the question of competence, and to support a resolution which called upon the parties to resume negotiations. In so doing, this necessarily placed us in opposition to the Iranian delegation and has been

presented
resented to a considerable extent by the Iranian public and press. We have tried to make it clear, however, that such support did not relate to the substance of the dispute and we have continued to maintain a neutral position, always urging the parties to resume negotiations.

Representatives of the Department of State have, with the knowledge and consent of the British, been in direct conversation with Dr. Mosadeq in New York. Advantage has been taken of his presence to develop, without commitment from either side, an arrangement for a solution of the oil problem which might be acceptable to both parties. Considerable progress has been made in these talks, which have resulted in important new concessions by Dr. Mosadeq. The Prime Minister appears anxious to negotiate a settlement and has displayed a better understanding of the problems involved than has been the case in the past. The Security Council action and the support of the United States for the British position do not appear to have affected adversely his strong desire for the United States to play an important role in the negotiations. In fact, he would prefer that negotiations be between Iran and the United States rather than directly with the British.

Dr. Mosadeq realizes the impossibility of effective negotiations until after the British elections and is willing to remain in the United States if the British are prepared to send a mission soon after October 25. It should be understood that while Dr. Mosadeq's present attitude lends hope that reasonable negotiations may be possible, there is no assurance that this will in fact materialize. He has in the past shown such willingness only later to revert to a rigid, uncompromising position. Moreover, there is at present no assurance that the British will be prepared to make concessions which we believe essential to any agreement. All in all, however, prospects for an agreement appear better than at any time in the past.

In the meantime the vast majority of the Iranian people continue to back Prime Minister Mosadeq, and the Parliamentary opposition to him which had emerged within recent weeks has, at least temporarily, collapsed as a result of the British action in bringing the AECO dispute to the Security Council. The Shah is deeply concerned over the situation in the country and would earnestly like to replace the Prime Minister with a more moderate element. He is unable to, however, since he fears that any such action might result in a coup d'état with the consequent loss of his throne. There is some concern in Iran that some elements are considering the establishment of a republic, although this does not appear at the moment at least to be a real threat.

The shut-down of all operations and the imposition by the British of economic measures against Iran have placed a heavy strain upon the Iranian economy. While the present situation cannot go on indefinitely, the resources available to the Iranian Government will probably prevent collapse.
collapse for several weeks or perhaps months. The imminent threat of collapse is a cause of great concern to Mr. Mossadegh, who insists that any settlement with the British must take place very soon, or he will be compelled to seek other means of meeting Iran's problem.
PART III

Recommended Position in Discussions with Prime Minister Mossadeq

It is recommended that in the President's talk with Dr. Mossadeq he begin by emphasizing the friendship which the United States has for Iran, and our great interest in the welfare of the Iranian people and the continued independence of that country. Close ties have bound Iran and the United States for many years and the nature of world problems today has brought us, as free nations, even closer. Iran has made a great contribution to the strength of the free world and has itself been a recipient of the benefits of the combined strength of the democracies represented in the United Nations. The forces opposed to freedom are endeavoring to capitalize upon the situation which has been brought about by the oil controversy, in an effort to bring disunity among the non-communist countries. It is obviously in all of our interests to prevent this. No one but the communists would gain by a continuation of the present situation.

With particular reference to the oil issue, it is recommended that the following general line be followed:

A. All of our actions in the matter of the oil controversy have been motivated by a sincere and disinterested desire to assist the parties arrive at a solution. We are convinced that a practicable arrangement can be worked out which will enable the Iranian people to realize their deeply felt aspirations to control their own resources, to end the possibility of outside interference in the internal affairs of Iran, and to obtain revenue necessary to develop the economic potential of Iran.

B. Iran now has a great opportunity to accomplish these objectives in a manner entirely consistent with its responsibilities as a member of the United Nations. Through negotiation it is possible to avoid claims that Iran has unilaterally canceled contracts, in effect even if not with intent confiscation of foreign properties, or taken other actions which would tend to disrupt the free world. Only through an amicable settlement can the Iranian oil industry be operated efficiently and receive the cooperation of the international oil business, which is essential if Iran is to benefit from the existing situation and to expand its production to keep pace with growing oil demand. Prime Minister Mossadeq has won the support of the Iranian people and now has the opportunity of making it possible for them to reap maximum benefits from their resources.

C. We are pleased that the Prime Minister's presence in the United States has provided an opportunity for American officials to have further discussions with him on this question. It is understood that in these talks progress has been made in the development of a plan which might be acceptable both to Iran and Great Britain. It is hoped that these discussions can be continued and that a more definitive plan can be evolved.
evolved within the next few days. If so, Dr. Mosadeq can be assured that we would extend our good offices in an effort to bring about direct talks with British representatives, and to affect a settlement satisfactory to him. Dr. Mosadeq should understand, however, that we would not be willing to support a plan which was not equitable to the interests involved, or would have the effect of injuring seriously the fabric of the world oil industry, which is so vital to the whole free world.

B. Dr. Mosadeq of course understands the difficult situation as regards timing which is imposed by the forthcoming British elections. It is unlikely that the British could be prepared to negotiate until after the elections. It is earnestly hoped that Dr. Mosadeq will remain in the United States for a sufficient time to permit negotiations.