10 January 1952

MEMORANDUM FOR: Rear Admiral R. L. Demerson
Naval Aide to the President
The White House

The Director of Central Intelligence asks that the attached memorandum be shown to the President.

S. B. BURMAN
Executive Assistant to the Director

Attachment

I do not think that we should make this advance now.

1-25-52 - President said he talked to the Secy. of State - no letter necessary.
Rose A.C.
MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Mossadegh's Demand for Emergency US Aid

On 13 January Premier Mossadegh presented US Ambassador Henderson with a demand for immediate US emergency financial assistance to cover his government's current budgetary deficit of approximately $20 million monthly. Mossadegh asserted that without this assistance "Iran would collapse" within 30 days and the Tudeh would take over the government. Mossadegh added that if US assurances of aid were not given soon (he first mentioned five days), he would be forced to seek Soviet assistance.

Emergency funds now available to the government will almost certainly be exhausted before mid-February. Although Mossadegh could in theory avert a financial crisis for a considerable period after that without foreign assistance, it was to be expected that he would make a strong plea for US emergency aid because: (1) the internal measures necessary to avert a financial crisis would evoke strong political opposition; (2) emergency US aid on his terms would strengthen his political position, particularly against the conservative opposition, and postpone the necessity of his coming to grips with the oil question; and (3) US aid would tide him over until after the scheduled elections when he would be in a stronger position to obtain British support for the fiscal measures required to ease the government's financial position. These considerations, therefore, may have induced Mossadegh to couch his request for US aid in the strongest possible terms in the hope of convincing the US that immediate financial assistance to the Mossadegh regime is the only alternative to Communist control of Iran.

DECLASSIFIED
E.O. 11655, Sec. 3.402
State Dept. Guidelines, June 12, 1979
By DL

TOP SECRET
Although Assad may have exaggerated the urgency of the situation confronting him, it is most unlikely that the Assad government will be able to meet its financial obligations beyond the beginning of March unless it adopts effective internal financial measures or unless it receives aid from the US or the USSR.

If denied US aid, Assad almost certainly will press forward with negotiations now under way with Czechoslovakia and Poland for the sale of some two million tons of Iranian oil, and will probably also seek oil deals with other members of the Soviet bloc or with the USSR itself. However, it is unlikely that the Soviet bloc could provide enough tankers to move financially significant quantities of oil from Iran, and thus the sale of oil to the Soviet bloc would probably not provide Assad with a lasting solution of his financial problems. Moreover, although the USSR might be willing to provide Assad with limited advances against future oil deliveries in the hope of securing a major psychological triumph which would improve Fadel’s chances of ultimately coming to power, we do not consider it likely that the USSR would be willing to give Assad sufficient financial assistance to enable him to stabilize his position.

If Assad fails to get prompt financial assistance from the US or the Soviet bloc, an internal crisis will probably develop rapidly, even if not within the next 30 days. Assad has only an even chance under present conditions of obtaining Najib’s authorization for the necessary emergency financial measures and there is an increasingly strong probability that he may not even attempt to do so. He might well postpone such action until conditions have deteriorated to the point where he could no longer control the situation.

We do not believe that such a crisis would result in immediate assumption of power by Fadel, although Assad has intimated. It is unlikely that Fadel would gain enough strength during the next two or three months to take over the government by force. There remains an even chance that the
Shah and the conservative elements would take over the government in the event of Mossadeq's downfall in the next month or two as a result of a financial crisis. If the conservatives do not act, however, or if they do not adopt sufficiently strong measures to control civil disturbances, the opportunities for Tudeh seizure of power in parts, or all, of Iran would substantially increase.

Unless Iran's oil revenues are restored, emergency US aid would do little more than postpone a crisis, and the trend toward economic and political deterioration in Iran would continue, even though at a reduced rate. It is unlikely that receipt of US emergency aid would induce Mossadeq to cooperate with other US measures for strengthening Iran economically or militarily. Moreover, such US aid to Mossadeq would not only tend to alienate the British but might discourage the Shah and the conservative opposition, thereby reducing the chances for a more amenable government's coming to power.

Ambassador Henderson has suggested that US emergency aid might be made subject to an oil agreement on terms somewhat more generous to Iran than those previously discussed. Such a solution would require strong pressure being brought to bear on the British, the ANOC, and the other Western oil firms. Moreover, we believe that in view of Mossadeq's increasing obduracy not only on the oil question but toward the UK and the US, there is only a remote chance of obtaining his agreement to a proposal which did not meet all his previously stated demands.

Paul A. Borel
Assistant Director
National Estimates