MEMORANDUM OF CONVERSATION

DEPARTMENT OF STATE

BRITISH AMBASSADOR’S CALL ON IRAN

DATE: July 12, 1951

SUBJECT: British Ambassador’s Call on Iran

PARTICIPANTS: The Secretary of State
Mr. W. Preerbon Matthews
Mr. J. Newell Harriman - Special Assistant to the President
Mr. George C. Mclnliee - NFA

Copies to:
Sir Oliver S. Franko - British Ambassador
A/6, A/5, A/4, A/2, A/1

The British Ambassador called on his request. He first of all stated that he had, on reflection, discovered that the first question raised in the Alca-Rescire which he had brought to the Department the previous evening had due to oversight not been discussed. This point involved the British proposal, subject to approval by the Cabinet, to announce a phased withdrawal of British technicians in Iran starting with those in the oil fields and ending with those in the Abadan Refinery. The withdrawal could be stopped at any time if the Iranian Government proved more cooperative in working out a settlement of the oil issue. The Department representatives confirmed that this point had not been discussed, whereupon the British Ambassador asked what the Department's views were in this matter.

The Department's representatives replying that the proposal would in their judgment be wrong from a tactical standpoint, since the Department had always believed that the best policy for the British to pursue was to hold on in Iran as long as possible in the hopes of a turn for the better. Indeed this had, up to now, appeared to be the British policy. If, in fact, the British did not wish to withdraw and were announcing their intention of withdrawal only to induce the Iranians to back down, they ran the risk that.

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E.O. 12065, Sec. 3.402

State Dept. Guidelines, March 6, 1982

By L.L. NRT, Date 12-4-1982
that the Iranians might not back down and that the British might be forced
to carry out their announced intention. It was thought that everyone
had agreed, particularly Mr. Drake, the AOG Manager, that once the
British withdrew it might prove very difficult or impossible for them to
ever come back. In any event of this with the Iranians or any attempt at
a bluff the British might, in the light of the highly irrational and
emotional view of the Iranians, not be successful. Evidence from other
similar situations, as for example that in Mexico, had shown that people
do not easily recede from emotional nationalist positions even when the
economic stakes are high. The Department recommended that the British
not make the announcement in question, but rather attempt to hold on in
Iran with all the patience at their disposal in a hope of a change in the
situation.

The British Ambassador then stated that he had a note from Mr. Harriman
which he had been instructed to give to the Secretary in hopes that it
could be given to Mr. Harriman before his departure (copy attached). Mr.
Harriman read the note but stated that he did not feel it proper for him
to comment on the points raised. No comment was made either by any of
the Department representatives present. The British Ambassador stated
that he was not requesting comments, that his purpose had been achieved
when the note in question had been delivered to Mr. Harriman. He merely
wished Mr. Harriman to have the US point-of-view with respect to his mission
and hoped that he would keep these points in mind in his discussions with
the Iranians.

The British Ambassador then reviewed at some length the difference
between the U.S. and U.K. positions with respect to the Iranian issue,
and asked what the U.S. could do to facilitate the success of Mr. Harriman's
mission. It was in general suggested to the Ambassador that it would appear
best for the U.S. not to take any new steps for the time being either to
increase their pressure against the Iranians or to redefine their position,
pending Mr. Harriman's arrival. The next step to be taken could, it is
believed, best be determined after Mr. Harriman has had an opportunity to
explore the situation on the ground with the Iranian officials and the
British and American ambassadors. The British Ambassador stated that he
hoped Mr. Harriman would consult freely with the British Ambassador, who
is at his disposal, since the British Government relied greatly on the
"man on the spot".

I then outlined my own views as to how I thought Mr. Harriman might
approach his task in terms of the various elements of the problem. I
stated that the Iranians had in accordance with their own view now nationalised
their oil properties, however they had not yet discovered any effective means
of operating them under their nationalisation laws. The British, on the
other hand, stood ready to provide both the technicians, the management,
the tankers, and the markets which were necessary to the Iranian oil industry.
The Europeans of Anglo-Iranian were prepared to pay for the crude and pro-
ducts which were taken away from Iran. The immediate problem seemed to me
to put these elements together in some type of interim trustees arrangement
as suggested by the EJ. Such arrangement should provide for the imposin
of the receipts, the taking out of the expenses of the operation, and the ultimate division of the profits remaining in accordance with the agreement reached. It seemed to be that somewhere along these lines a solution could be found.
In accepting President Truman's offer to send Mr. Harriman to Tehran, Mossadegh has reaffirmed Persia's position as regards The Hague Court's recommendations and his stand on the nationalization issue. In these circumstances it seems likely to be extremely difficult for Mr. Harriman to find a profitable basis on which to discuss the problem with Mossadegh and it is obvious that the latter will use Mr. Harriman's visit to try to bring further pressure on us to accept the nationalization issue (as distinct from the principle of nationalization) and prejudice our position further.

2. We therefore hope that the main objective of Mr. Harriman's visit, which he will always keep in mind, will be to impress on Mossadegh the implications of abiding by the Hague Court's decision and to induce him to accept the Court's recommendations. In our opinion an essential condition for the opening of any negotiations must be a cessation of present Persian interference in the company's operations and resumption of operations by the company under the company's management as recommended by the Hague Court. Subject to this we would be ready at any moment to discuss a settlement on a basis of the offer already made to the Persian Government by the company during the visit of their delegation to Tehran, which fully accepted the Hague Court's decision. If there were any discussion of a settlement, we trust that Mr. Harriman will keep within the limits of this offer and will not make any new proposal without consulting us. We trust moreover that there will be no difference of opinion between us and the Americans either privately or publicly about the vital necessity of doing nothing whatever to strengthen Mossadegh's political position and that Mr. Harriman will keep this constantly in mind. Finally we hope that Mr. Harriman, during his visit, will keep in closest touch with Mr. J. Shepherd, the latter being at his disposal to give him any information he may require.

British Embassy,
Washington D.C.
14th July, 1951.