Minutes of a meeting held at the White House on August 29, 1952

Subject: Iranian Oil

Present: The President
Secretary Adams
Secretary Lovett
Mr. Harriman
Mr. Bruce
Mr. Byrnes
Mr. Ferguson

The President said he thought it would be a good idea to sit down around the table and talk about Mr. Churchill's proposals. He felt this was a very important thing in which we were all interested and he wanted to discuss it. He asked Mr. Adams if he would speak first.

MR. ADAMS: I should like to speak generally for a moment. In this message from Mr. Churchill there is for the first time a real break in the British position. We have generally taken the attitude that it was up to the British to come forward and we would try to help them. At the time of the German episode and just afterwards, however, we suggested a joint approach because of the need for action. I think to get this Iranian problem solved it will be necessary for three governments to do some things. Mr. Churchill is now at a point where something could happen and I think we have reached the point where we have to decide whether to throw in our reserves and take certain risks and try to put this thing over. I am inclined to join with Mr. Churchill. I think the facts indicate...
indicate that Mossadeh wants to reach a settlement because of his financial troubles and the pressure from the radicals in his government and the British also want a settlement, so my judgment is that this is the time to act. Whether the money we are prepared to give is enough is a question we can come to later.

The President said he thought that was right and asked Secretary Lovett to speak.

MR. LOVETT: I feel much as been does. This is a unique opportunity. Some change has occurred which I can't identify the limits or precisely but there is real hope, I think. In Mr. Churchill's message, however, there is a complete hiatus. He does not deal with what AIOC will do about buying the oil which has been refined or is on the surface. I mentioned to Dave Bruce this morning that I thought in reply we should indicate that we would buy the oil ourselves if the British were not in position to do so and that we would advance the $10 million against later repayment in oil or in some other way if the Iranians chose. To give Mossadeh $10 million and have the British buy oil for $30 million more puts us in some trouble. I think our buying the oil is a way of avoiding the difficulty.

On the question of the joint signature of the message, I do not favor that.

MR. ACHESON: May I talk to your first point. I think we have to do all these things to get enough money to get Iran going; the British have to buy the oil and release sterling and we have to give $10 million in order that it will be enough for the job. You will need all of these things including our grant.

MR. LOVETT:
MR. LOVETT: I don't know how much is needed but my suggestion is that instead of segregating these things we throw in the $10 million but avoid doing it on a rescue basis. How this is handled does not worry me much but what does worry me is that Churchill did not mention the question of oil that is on hand.

MR. ACHESON: I think he means to cover it in his point about negotiations for the flow of Persian oil to world markets and in our message we say that we assume this is what he means.

MR. LOVETT: I think they will need $30 or $40 million. It would not trouble me from a banking point of view if they needed $100 million. I think they have plenty of resources.

MR. ACHESON: I think if you can get it started they will have borrowing capacity.

MR. LOVETT: On the method of doing it, that is more in your field than in ours. I do have an instinct—almost an animal instinct—against the President and Mr. Churchill signing the same message.

The President said he agreed with this and that he had already talked to Mr. Bruce about parallel messages.

MR. LOVETT: I notice it is recommended here that we prefer parallel messages and I hope we can do that. We are now so intertwined with the British that I think it would be better to have parallel messages.

MR. HARRIMAN: I share Dean's view that it should be a great. If we buy oil products the Iranians will not consider that we are giving any help to them but will treat it only as a
as a commercial deal for products that we need and from which we would profit. I don't like to throw $10 million around but it is awfully important. I believe a grant will be important in our dealings with Mossadegh while a purchase would be of no psychological value.

I agree that this should not be a joint but parallel messages and we perhaps should clarify whether Mr. Churchill has a realistic approach to the negotiations.

The President asked if the paper he had been given was a proposed answer to Mr. Churchill and Mr. Acheson said that it was, with draft messages attached on the back.

MR. LOVETT: I believe someone told me that this message of Churchill's represented a Cabinet decision.

MR. ACHESON: I think that is right.

MR. BROOKE: The Cabinet decision we had expected has been withdrawn and this is in substitution.

MR. ACHESON: asked the President if he should read the proposed message and the President said he would like him to do so. (Mr. Acheson then read the message.)

In the course of reading the message Mr. Acheson pointed out that we would come back to the question of whether reference to a joint message should be made and he also mentioned that we are raising the question of a British Government representative to conduct the negotiations in order to get away from Mr. Fraser and the other officials of Anglo-Iranian.

The President said he understood this point and that it involved getting away from "1950 Britshers".

MR. ACHESON:
MR. ACHESON: In regard to the amount of money, Henderson is very strong in his telegram that a grant is much preferable to a loan. It will avoid trouble with the Majlis. Henderson also thinks that $10 million is too small an amount and will indicate that we do not have a sufficient interest in Iran. He suggests $50 million, but I think we would have a very hard time getting more than $10 million.

THE PRESIDENT indicated that he thought so too.

MR. ACHESON: If we could give $10 million and the British bought the oil in storage that would do it.

THE PRESIDENT said he thought $10 million was enough.

MR. LOVETT: I think the Iranians would play straighter ball if we could put our help on a businesslike basis. I would think that $10 million would be plenty to ease them over this period.

I would hope we could cut alternative B concerning a joint message, out of this reply to Churchill: The more I read it the more I am alarmed at the idea of being tied to the umbilical cord of the British Empire.

MR. ACHESON: I think we could do that and just assume that Mr. Churchill means parallel messages.

THE PRESIDENT said he thought that would be better.

MR. ACHESON: All right. We will just cut it out.

MR. LOVETT: Dean, what do you think of this as a change in the first sentence of the draft message to Mosadegh, to show that we are not co-conspirators? We could say "Mr. Churchill has advised me concerning"

MR. ACHESON
MR. ACHESON: That is all right.

THE PRESIDENT said he thought that was better also.

MR. SYROST: Dropping the idea of a joint message will require some substitute drafting.

MR. LOVETT: The way Mr. Churchill states his proposals is very confusing. It sounds like the JCS.

MR. ACHESON: What he means is that when you have an agreement on the submission of the claims, then he will do these other things. We have considered the possibility of putting in here some suggested changes in his proposals based on the points the President would make in his reply.

Mr. Acheson then read an additional page which set forth the proposals as redrafted by us.

THE PRESIDENT asked whether we could not substitute the word "Iran" for "Persia".

MR. ACHESON and MR. KENNEDY pointed out that the British continue to use the word "Persia" but we use Iran.

THE PRESIDENT said that so far as our messages are concerned he thought we should stick with the Persians and call the country Iran.

MR. LOVETT asked why in reformulating the proposals we said the British should make advances against the oil in storage and Mr. Ferguson explained that the British did not like to use the word "purchase" because they considered the oil in storage as belonging to them and would certainly expect to be compensated for it.

Mr. Lovett said that made it clear to him and the language was all right.
THE PRESIDENT said he thought the additional language which Mr. Acheson read, in which the Churchill proposals were reformulated, would be a good addition to the message, and Mr. Acheson said that we could work it in.

(At this point several new messages from Mr. Churchill were brought to Secretary Acheson and were read by him to the meeting.)

In the course of reading these messages several points were discussed, as follows:

MR. LOVETT: Did I hear the phrase "in faith whereof"? All this high-powered legal talent is putting over some fancy words.

THE PRESIDENT said that in any case we didn't care how they said it.

MR. LOVETT: Haven't they left out at least one major thing, namely, that they don't propose to make any advances to the Iranians?

MR. ACHESON: I don't believe they have discussed it here. I don't think their reference to no credits means that they are unwilling to make advances against oil.

MR. LOVETT: Well, it casts doubt on the matter.

MR. ACHESON: That is why we want to be sure to get the point in our reply.

MR. LOVETT: If I understand these latest British messages correctly, I don't think the British would allow the Persians to use 90 per cent of their sterling balances for dollar purchases of sugar. What does it mean? English is their language initially and they ought to be able to write it.

MR. ACHESON
MR. ACHESON: I think the Iranians have to pay for sugar in dollars and the U.K. will provide 80 per cent of the price in dollars and the Iranians would have to pay the remaining 20 per cent in dollars of their own.

MR. BYNOADE: I think that is right.

THE PRESIDENT said that he thought Mr. Lovett was right about the language difficulty and that he did not know what the words meant.

MR. BROOME: Where do the Iranians normally buy their sugar?

MR. BYNOADE: I don't know, but the British have put restrictions on the purchase of sugar for dollars.

THE PRESIDENT said he thought this point should be clarified but he didn't think as a whole the new British messages were too bad.

MR. LOVETT: shouldn't we let Oliver know that if the British aren't going to buy oil products, we will? Persia will have to get a total of about $30 million.

MR. BROOME: You mean in addition to our $10 million?

MR. LOVETT: Yes.

MR. ACHESON: If they don't intend to do anything about the oil in storage there won't be any deal. But isn't it better that we assume that they are going to do something about it?

MR. LOVETT: Yes. I would not say this to Churchill, but only to Oliver.

THE PRESIDENT said he thought this was a case of "is you is or is you ain't".

MR. ACHESON
MR. ACHESON: I think you will get into trouble with the British if you suggest we lift this oil. I don't think we could lift it. We would have to do it through American oil companies and they would not want to do it.

MR. JOY: We have a lot of fleet tankers.

MR. ACHESON: I think we should leave it as we have it in our telegram and if they come back and say they can't take the oil then we can say the deal won't work and we will have to find some way to do it ourselves.

MR. BRUCK: We referred in the draft telegram to our earlier proposals that they lift that oil and this would button it down.

THE PRESIDENT said he thought the message as it would be revised was a good one.

MR. ACHESON: We will revise the message then and remove the second alternative concerning a joint message.