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IRANIAN REACTIONS TO OIL CONSORTIUM PROPOSALS

The negotiations being carried on in Tehran between the oil consortium representatives and Iranian officials have been exploratory and tentative so far. Basic issues appear to be emerging now, according to Ambassador Henderson.

The Iranian negotiators have neither accepted nor rejected any particular aspect of the consortium's proposals. They appear to be purposely avoiding commitment on many points which seem reasonable to them until the basic questions of management and the precise nature of the consortium's interests in oil operations have been settled. Henderson has been able to ascertain, however, certain informal Iranian reactions to the negotiations.

The shah told the ambassador on 25 April that he could never accept the kind of arrangement the oil consortium is proposing. Its plan to incorporate two companies in Britain which would produce and refine Iranian oil is particularly preposterous, according to the shah, and is "illustrative of the consortium's ignorance or callousness toward Iran's feeling." The shah concluded by saying that Mossadeq was not the only Iranian who could say "no." He had taken the responsibility for removing Mossadeq and he would also take the responsibility for rejecting the consortium proposals.

Minister of Court Ala, expressing similar sentiments, told Henderson that the Anglo-Iranian Oil Company controlled 60 percent of the consortium through its domination of Dutch Shell and the Compagnie Francaise des Petroles. He said that AIOC is trying to regain its old position in Iran and every patriotic Iranian would fight this type of settlement. Companies engaged in extracting and refining oil must be of Iranian nationality, certainly not British, and the National Iranian Oil Company must be trusted to deliver refined and crude oil to the consortium for marketing.

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Prime Minister Zahedi is more optimistic and expressed his confidence in the good will of the consortium representatives and in American intentions. He told Henderson that he hoped the shah and Ala would not express to Iranian politicians the same views that they had expressed to Henderson. Zahedi hoped also that the consortium representatives would not become unduly discouraged by the attitude of the Shah and Ala.

Henderson comments that the shah's attitude is discouraging but not surprising. He has been careful not to break completely with the extreme nationalists and he desires to maintain a position which will give him the opportunity to pose as spokesman for Iranian nationalism if necessary. Henderson believes that the shah personally does not object to granting management rights to the consortium and that his position is based primarily on what he considers to be the attitude of the Majlis, Senate, and public.

Henderson notes that the consortium is insisting on full management of the oil industry in order to forestall the possibility that other countries in the area might demand management rights in local oil production. He regrets, however, that the consortium negotiators are not allowed more latitude on the management problem and questions whether the participating companies have given proper consideration to Iranian national feelings.

The negotiations appear to be falling into the expected pattern of alternating pessimism and optimism. There is the possibility that the Iranian government might believe that no acceptable settlement is forthcoming and therefore end the discussions. However, the desperate need of Iran for revenue from oil production and Zahedi's apparent recognition that the continuation of his regime depends on a settlement will cause him to exert every effort to make a satisfactory arrangement. The shah is unlikely to act unilaterally to end the discussions unless convinced that his position would be considerably strengthened thereby.

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