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OFFICE OF NATIONAL ESTIMATES

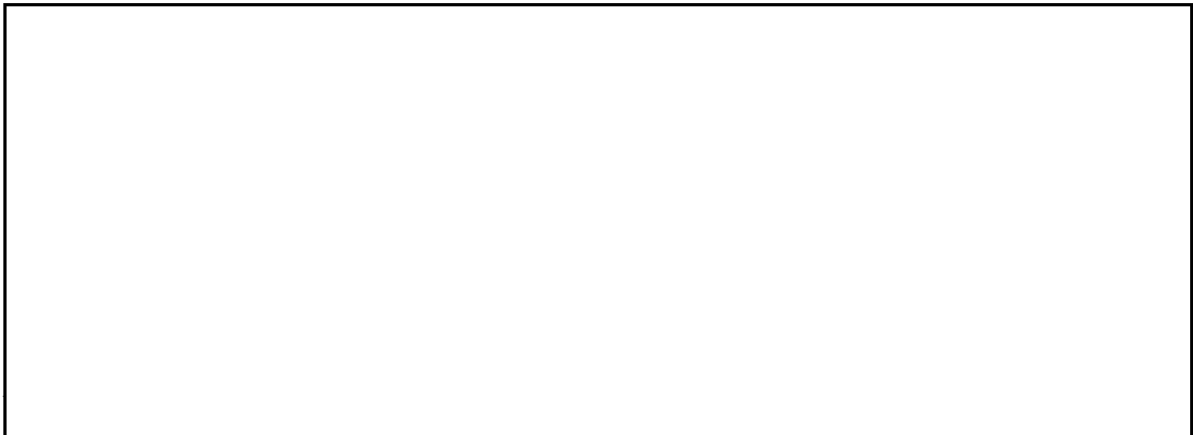
6 July 1951

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

SUBJECT: Iranian Developments

1. There is a serious danger that, unless the UK or the US adopt policies which will maintain the flow of Iranian oil to the West, Iran will be forced to turn to the USSR for assistance or will suffer an economic collapse. In either case, Iran would probably come under Communist domination within a few months.

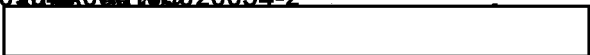
2. At the present time the UK appears to be prepared to close down the AIOC installations in Iran, withdraw all British personnel from Iran, and boycott Iranian oil rather than submit to Iran's terms. It is unlikely that these tactics will induce Iran to accept a compromise settlement.



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If the Iranian oil industry were shut down completely for any length of time, Iran would find it almost impossible to recapture its former markets. Iran's crude oil could be replaced almost immediately by expansion in other fields and its refined products after about six months by building other refineries in Western Europe.

4. If Iran cannot sell its oil to the Western world, it might turn to the USSR for assistance. Because of transportation difficulties, the USSR could probably not for some time use more than a small proportion of Iran's potential production. However, with Russian technicians in the southern oilfields, Iran would be lost to the West; and the consolidation of Iran as a Soviet Satellite would be only a matter of time.

5. The current US policy\* of supporting the Shah, extending military, economic, and technical assistance, and bringing our influence to bear on Iran and the UK in the oil controversy appears hardly adequate to the situation. If Iran's stability (and therefore its



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vulnerability to Communist pressure) depends on the continued flow of its oil to the West, US policy-makers are confronted with the following critical questions:

- (a) Can we afford to let the British abandon Iran and permit the oil industry to close down knowing that even under ideal circumstances it will take several months to revive it and that in the meantime Iran may be forced to turn to the USSR for assistance or may collapse internally?
- (b) If, as now seems probable, the British leave Iran, how long can we permit Mossadeq to "stew in his own juice" before coming to his assistance?
- (c) Is it in our interest to assist Iran to maintain its oil industry, even if such assistance has to be extended on Mossadeq's present terms?
- (d) Are Mossadeq's present terms in fact completely unreasonable and uneconomic from the point of view of a foreign concessionaire?
- (e) If they are, is it in the interest of the US to subsidize a US oil company to operate Iran's oil industry?

- 3 -

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(f) Would it be better to adopt such a course of action than to be compelled at a subsequent date to use force in Iran to put down a Communist uprising?

6. All these questions raise serious problems

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[REDACTED] The time appears to be rapidly approaching, however, when they will have to be answered unless the West is prepared to:

(1) fight to retain in Iran what it appears unable to retain by negotiation; or (2) abandon Iran to Communism.

WILLIAM L. LANGER  
Assistant Director  
National Estimates

- 4 -

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