



Persia No. 1 (1951)

Correspondence

between His Majesty's Government in the
United Kingdom and the Persian Government,
and Related Documents concerning
the Oil Industry in Persia

February 1951 to September 1951

*Presented by the Secretary of State for Foreign Affairs to Parliament
by Command of His Majesty
December 1951*

LONDON

HIS MAJESTY'S STATIONERY OFFICE

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**CORRESPONDENCE BETWEEN HIS MAJESTY'S GOVERNMENT
IN THE UNITED KINGDOM AND THE PERSIAN GOVERNMENT,
AND RELATED DOCUMENTS CONCERNING THE
OIL INDUSTRY IN PERSIA**

EXPLANATORY MEMORANDUM

The Anglo-Iranian Oil Company's (A.I.O.C.) operations in Persia were conducted under a Concession Agreement (No. 1) reached between the Persian Government and the Company in 1933. This Agreement was concluded after the Persian Government had cancelled its previous Agreement with the Company dating from 1901 and after His Majesty's Government had referred the matter to the Council of the League of Nations as constituting a dispute between the British and Persian Governments. The new Agreement came into force on 29th May, 1933, following its ratification by the Persian Majlis (Parliament) on 28th May, 1933, and the Shah's assent, given on 29th May, 1933. In August of that year identical letters were addressed by His Majesty's Government and the Persian Government to the Registrar of the Permanent Court of International Justice bringing to the notice of the Court Article 22 of the Agreement whereby the parties agreed in certain circumstances to have recourse to the good offices of the President (or Vice-President) of the Court in connexion with the nomination of an umpire or sole arbitrator, and asking the Court to accept these functions. The Registrar of the Court replied that the Court saw no objection to their acceptance of these functions. In October 1933 the rapporteur appointed by the Council of the League reported to the Council that the dispute between the two Governments could be regarded as finally settled. The Persian Government's representative at the Council announced his entire approval of this report.

2. In 1948 the A.I.O.C. entered into negotiations with the Persian Government for a revision of some of the terms of the 1933 Concession (No. 1). The document known as the Supplemental Oil Agreement (No. 2) was signed in July 1949 by a representative of the A.I.O.C. and by the Persian Minister of Finance, subject to the approval of the Majlis to whom a Bill for its ratification was presented in July 1949. The Majlis dissolved a few days later, before a decision could be reached.

3. Much delay occurred over the elections to the next Majlis and the Supplemental Agreement was not again discussed until June 1950, when the Majlis referred it to a special Majlis Oil Commission. The Oil Commission, however, reported early in December 1950 that the Agreement did not satisfactorily safeguard Persian rights and interests. This report was subsequently approved by the Majlis on 11th January, 1951. Meanwhile much opposition had developed in the Majlis, particularly after the Oil Commission's adverse report, and in consequence the Persian Government withdrew the Bill on 26th December, 1950.

4. On 10th February, 1951, the A.I.O.C. informed the Persian Prime Minister that they were ready to negotiate an entirely new agreement based on an equal sharing of profits in Persia. On 19th February, 1951, the present Prime Minister, Dr. Musaddiq, then Chairman of the Majlis Oil Commission, formally proposed in the Commission that the oil industry throughout Persia should be nationalised.

5. In the light of this direct threat to the Company's position it was necessary to take steps to make clear the position of His Majesty's Government in the matter. Accordingly, on 24th February, 1951 His Majesty's Ambassador at Tehran handed the Persian Prime Minister a *note verbale* (No. 3) stating that, in the view of His Majesty's Government, Articles 21 and 26 of the Company's Concession Agreement prevented its legal termination by an act such as nationalisation and added that the Company could not negotiate under threat of nationalisation. This note was accompanied by a personal letter (No. 4) in which His Majesty's Ambassador reviewed the negotiations leading to the Supplemental Agreement, emphasised the generosity of its terms, and urged the need for firm action to instruct public opinion on the facts of the situation.

6. On 8th March, the day after the assassination of the Prime Minister, M. Ali Razmara, the Oil Commission passed a resolution concerning nationalisation (No. 5). His Majesty's Government, in a note to the Persian Government of 14th March (No. 6), formally set out their views. They drew attention to the illegality of unilateral abrogation of the Concession, reminded the Persian Government of the provisions of the 1933 Concession for the settlement of disputes by arbitration, and restated the Company's readiness to discuss a new agreement on the basis of an equal sharing of profits in Persia. On 15th March, before the British aide-mémoire had been communicated to them, the Majlis approved a "Single Article Bill" (No. 7) which confirmed the Majlis Oil Commission's decision of 8th March and approved the extension of the Commission's term of office. The Senate on 20th March also approved this Single Article Bill (No. 7). On 8th April the Persian Government, in their reply (No. 8) to the British note of 14th March (No. 6), maintained that the question of nationalisation lay solely between the Persian Government and the Anglo-Iranian Oil Company.

7. On 26th April His Majesty's Ambassador at Tehran put to the Persian Prime Minister, M. Ala, tentative proposals for a settlement (No. 9); these embraced a new United Kingdom Company to run the oil industry in Persia, this company to be owned by A.I.O.C. but with some Persian directors; the profits of the company to be shared equally between the Persian Government and the Company; and, if the Persians wished, a purely Persian company for the distribution of oil products within Persia.

8. On the same day, 26th April, the Majlis Oil Commission approved a resolution (No. 10) calling for the formation of a mixed board of Senators and Deputies, with the Minister of Finance or his deputy, to implement the decision of the two Houses of Parliament for oil nationalisation throughout the country and setting out in nine articles the method of this implementation. On 28th April the Anglo-Iranian Oil Company protested (No. 11) to the Persian Government over their intended nationalisation measures.

9. The Resolution of 26th April (the so-called "Nine Point Law") received the approval of both Majlis and Senate by 30th April and was promulgated by His Imperial Majesty the Shah on 1st May (No. 10). On 2nd May the Secretary of State for Foreign Affairs made a verbal communication (No. 12) to M. Soheily, the Persian Ambassador in London, which restated strongly the views of His Majesty's Government. M. Soheily was asked to convey this message to Dr. Musaddiq, who on 29th April had become Prime Minister.

10. On the same day, 2nd May, His Majesty's Ambassador at Tehran called the attention of Dr. Musaddiq to the breach of contract which the Oil Nationalisation Law involved and to the unpractical nature of its pro-

visions and expressed the hope that the Persian Prime Minister would most carefully consider what constructive steps could be taken towards starting negotiations. On 7th May in a further interview His Majesty's Ambassador reiterated His Majesty's Government's desire for an early settlement of the dispute by negotiation.

11. On 8th May the Persian Government replied to the message from the Secretary of State for Foreign Affairs to Dr. Musaddiq of 2nd May (No. 12) in an aide-mémoire (No. 13) left with the Secretary of State for Foreign Affairs by the Persian Ambassador in London. The Persian Government's reply affirmed their determination to proceed with the programme of nationalisation; again attempted to dissociate His Majesty's Government from the dispute; and concluded with a statement that the "former Oil Company" would be invited in a few days to discuss the implementation of the Nationalisation Law.

12. On the same day, 8th May, the Anglo-Iranian Oil Company, through their representative in Tehran, made a formal application to the Persian Minister of Finance (No. 14) for the dispute to be referred to arbitration. This was the Company's legitimate recourse under Article 22 of the Concession Agreement.

13. In an aide-mémoire left with the Persian Prime Minister on 19th May (No. 15) His Majesty's Government reserved their right under international law to take up the Company's case and to bring their complaint against the Persian Government before the International Court; offered to send a mission forthwith to Tehran to discuss the terms of a new agreement; and pointed out that a refusal on the part of the Persian Government to negotiate, or any attempt on their part to proceed by unilateral action, could not fail greatly to impair friendly relations between the two countries, and to have the most serious consequences. When handing this note to the Persian Prime Minister His Majesty's Ambassador at Tehran urged Dr. Musaddiq to seek a solution which would be in Persia's best economic interests. His Majesty's Ambassador also stated that His Majesty's Government were prepared to negotiate a settlement which, provided it were satisfactory in other respects (a qualification to which His Majesty's Government attached importance) involved some form of nationalisation.

14. The Persian Minister of Finance then sent two letters to the Anglo-Iranian Oil Company, dated 20th (No. 16) and 24th May (No. 17), the first rejecting arbitration and calling on the Company's representative to attend meetings for the implementation of the Nationalisation Law, the second repeating the latter demand, and stating that if the Company's representative did not attend, the Government would go ahead with nationalisation. The Company replied in a letter to the Persian Minister of Finance of 27th May (No. 18) that the Company's representative would attend such meetings but only to listen to what was said and to report to his principals.

15. At this stage His Majesty's Government submitted the case to the International Court of Justice at The Hague, and on 27th May duly informed the Persian Government of this (No. 19). At the same time the Company applied to the International Court of Justice for the appointment of a sole arbitrator in accordance with Article 22 of the Concession Agreement (No. 1). The Court subsequently deferred consideration of this application pending a decision on His Majesty's Government's submission.

16. Replying to the Company's letter of 26th May (No. 18) the Persian Minister of Finance in a letter of 30th May (No. 20) restated that the Persian

position was based on the Nationalisation Law, and gave the Company five days more to submit proposals within the terms of that law. On 3rd June, the Company, in reply to the Persian Minister of Finance, announced (No. 21) that they would send representatives to Tehran as soon as possible to hold full and frank discussions.

17. A delegation of the Company's directors went to Tehran on 11th June and, after a brief series of meetings at which the Persian delegation proved completely intransigent, insisting that all proposals must be in accordance with the Nationalisation Law, made an offer (No. 22) which included acceptance of the principle of nationalisation, money for present needs, and a practical foundation for future partnership. This offer was summarily rejected by the Persian delegation as not being consistent with the Nationalisation Law.

18. While these talks were in progress a campaign of abuse and misrepresentation against the A.I.O.C. continued unabated in Persia and the "Temporary Board of Directors" of the National Iranian Oil Company, appointed by the Persian Government to take over the installations of the "former" A.I.O.C., interfered to an increasing degree with the Company's operations. In the middle of June the Temporary Board issued a directive which, *inter alia*, required masters of tankers, British or foreign, carrying oil from Abadan either to pay cash or give a receipt to the National Iranian Oil Company which would concede that Company's right to dispose of the oil. Discussions took place about the form of this receipt and the A.I.O.C. were prepared to allow masters of tankers under their control to sign a receipt, provided that the legal rights of A.I.O.C. were reserved thereon. The Temporary Board of Directors at this stage accused the Company's General Manager of stopping the export of oil by refusing to give the receipts required by the Board and threatened him with a charge of sabotage. This accusation was not withdrawn when the General Manager, supported by His Majesty's Consul-General at Ahwaz, interviewed the Temporary Board on 25th June, and the General Manager therefore left the country. Another senior official was appointed for all matters requiring contact with the Temporary Board of the N.I.O.C., The A.I.O.C. then, with the full concurrence of His Majesty's Government, ceased sending tankers to Abadan and ordered those already there to leave forthwith, if necessary unloading the oil already on board. All shipments of oil then ceased.

19. On 22nd June, His Majesty's Government applied to the International Court at The Hague for interim measures of protection requiring the Persian Government to do nothing which would prejudice the case brought before the Court by His Majesty's Government.

20. On 30th June, His Majesty's Ambassador at Tehran delivered a note to the Persian Minister for Foreign Affairs (No. 23) which regretted that His Majesty's Government's note of 19th May (No. 15) had not been answered and that the Persian Government had not seen fit to respond to the offers repeatedly made both by the Company and by His Majesty's Government to negotiate. It pointed out that the dispute was before the International Court, and reminded the Persian Government that they were responsible under international law for the protection of all British subjects in Persia.

21. As a result of the Hague Court Order of 5th July (No. 24), which granted His Majesty's Government's request for interim measures of protection His Majesty's Government delivered a note to the Persian Government on 7th July (No. 25) announcing their readiness to appoint representatives

to the Board of Supervision recommended by the Court. On 12th July the Persian Government replied in a note (No. 26) denying the competence of the Hague Court.

22. Following an offer by President Truman to send Mr. Averell Harriman to discuss the situation with Dr. Musaddiq, the United States President's special representative arrived in Tehran on 15th July. On 23rd July the Persian Government agreed to open negotiations provided His Majesty's Government, on behalf of the Anglo-Iranian Oil Company, accepted the principle of nationalisation (the text of the "Harriman" formula which was accepted as a basis for negotiations is at No. 27). Mr. Harriman subsequently discussed the situation with His Majesty's Government and was able to assure them that the Persian Government recognised the necessity for improving the atmosphere, particularly in South Persia, and to confirm that the Persian Government had agreed to negotiate on the basis of the Law of 20th March, 1951 (No. 7), and would not insist on the application of the Nationalisation Law of 1st May (No. 10). Accordingly on 3rd August a note (No. 28) expressing His Majesty's Government's readiness to enter into negotiations on the basis of the proposal conveyed by Mr. Harriman was handed to the Persian Minister for Foreign Affairs. The latter, in a reply also dated 3rd August (No. 29), stated that the Persian Government recognised the necessity of creating a favourable atmosphere. A Mission headed by the Right Honourable R. R. Stokes, Lord Privy Seal, arrived in Tehran the following day.

23. It was clear from preliminary conversations that the Persian delegation were awaiting a lead from the Mission. Mr. Stokes therefore on 13th August put forward proposals which were subsequently published as the "8-Point proposals" (No. 30). On 18th August the Persian delegation rejected these proposals in a paper handed to the British delegation (No. 31).

24. Mr. Stokes, in subsequent private discussions with Dr. Musaddiq, endeavoured to obtain agreement on the conditions on which the British management and staff could be retained. It became clear, however, that Dr. Musaddiq was not prepared to accept any conditions under which the British staff could function efficiently, and on 21st August Mr. Stokes sent a letter (No. 32) informing Dr. Musaddiq that the 8-Point proposal was withdrawn and indicating readiness to resume discussions provided Dr. Musaddiq accepted reasonable principles concerning the employment of the British staff. In a reply dated 21st August (No. 33), Dr. Musaddiq stressed the interest of the Persian Government in continued discussions and asked Mr. Stokes to clarify in writing the principles to which he had referred in his letter (No. 32). Following a meeting with Dr. Musaddiq on 21st August, at which no progress was made, Mr. Stokes on 22nd August addressed a further letter to Dr. Musaddiq (No. 34) re-emphasising the fundamental need to reach agreement on the question of staff arrangements. The same day, 22nd August, Dr. Musaddiq replied (No. 35), setting forth the views of the Persian Government on the sale of oil to former customers, the employment of foreign experts and on compensation—the three questions which Dr. Musaddiq had constantly held to be the only possible subjects of negotiation within the provisions of the Nine-Point Law.

25. The Lord Privy Seal's Mission returned to London on 23rd August.

26. On 12th September, Dr. Musaddiq sent a letter to Mr. Harriman (No. 36) for transmission to His Majesty's Government, in which he restated the Persian Government's terms and called for a resumption of the negotiations on the same three questions; the terms of employment of the British staff,

Convention concluded between the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, at Tehran on 29th April, 1933

(Translation)

PREAMBLE

For the purpose of establishing a new Concession to replace that which was granted in 1901 to William Knox D'Arcy, the present Concession is granted by the Persian Government and accepted by the Anglo-Persian Oil Company Limited.

This Concession shall regulate in the future the relations between the two parties above-mentioned.

DEFINITIONS

The following definitions of certain terms used in the present Agreement are applicable for the purposes hereof without regard to any different meaning which may or might be attributed to those terms for other purposes.

"The Government"

means the Imperial Government of Persia.

"The Company"

means the Anglo-Persian Oil Company Limited and all its *subordinate companies*.

"The Anglo-Persian Oil Company Limited"

means the Anglo-Persian Oil Company Limited or any other body corporate to which, with the consent of *the Government* (Article 26), this Concession might be transferred.

"Subordinate Company"

means any company for which *the Company* has the right to nominate directly or indirectly more than one-half of the directors, or in which *the Company* holds, directly or indirectly, a number of shares sufficient to assure it more than 50% of all voting rights at the General Meetings of such a company.

"Petroleum"

means crude oil, natural gases, asphalt, ozokerite, as well as all products obtained either from these substances or by mixing these substances with other substances.

"Operations of the Company in Persia"

means all industrial, commercial and technical operations carried on by *the Company* exclusively for the purposes of this Concession.

ARTICLE I

The Government grants to *the Company*, on the terms of this Concession, the exclusive right, within the territory of the Concession, to search for and extract *petroleum* as well as to refine or treat in any other manner and render suitable for commerce the *petroleum* obtained by it.

The Government also grants to *the Company*, throughout Persia, the non-exclusive right to transport *petroleum*, to refine or treat it in any other manner and to render it suitable for commerce, as well as to sell it in Persia and to export it.

ARTICLE 2

(A) The territory of the Concession, until 31st December, 1938, shall be the territory to the south of the violet line drawn on the map* signed by both parties and annexed to the present Agreement.

(B) *The Company* is bound, at latest by 31st December, 1938, to select on the territory above-mentioned one or several areas of such shape and such size and so situated as *the Company* may deem suitable. The total area of the area or areas selected must not exceed one hundred thousand English square miles (100,000 square miles), each linear mile being equivalent to 1,609 metres.

The Company shall notify to *the Government* in writing on 31st December, 1938, or before that date, the area or areas which it shall have selected as above provided. The maps and data necessary to identify and define the area or areas which *the Company* shall have selected shall be attached to each notification.

(C) After 31st December, 1938, *the Company* shall no longer have the right to search for and extract *petroleum* except on the area or areas selected by it under paragraph (B) above and the territory of the Concession, after that date, shall mean only the area or areas so selected and the selection of which shall have been notified to *the Government* as above provided.

ARTICLE 3

The Company shall have the non-exclusive right to construct and to own pipe-lines. *The Company* may determine the position of its pipe-lines and operate them.

ARTICLE 4

(A) Any utilised lands belonging to *the Government*, which *the Company* shall deem necessary for its operations in *Persia* and which *the Government* shall not require for purposes of public utility, shall be handed over gratuitously to *the Company*.

The manner of acquiring such lands shall be the following: whenever any land becomes necessary to *the Company*, it is bound to send to the Ministry of Finance a map or maps on which the land which *the Company* needs shall be shown in colour. *The Government* undertakes, if it has no objection to make, to give its approval within a period of three months after receipt of *the Company's* request.

(B) Lands belonging to *the Government*, of which use is being made, and which *the Company* shall need, shall be requested of *the Government* in the manner prescribed in the preceding paragraph, and *the Government*, in case it should not itself need these lands and should have no objection to make, shall give, within a period of three months, its approval to the sale asked for by *the Company*.

The price of these lands shall be paid by *the Company*; such price must be reasonable and not exceed the current price of lands of the same kind and utilised in the same manner in the district.

(C) In the absence of a reply from *the Government* to requests under paragraphs (A) and (B) above, after the expiry of two months from the date of receipt of the said requests, a reminder shall be sent by *the Company* to *the Government*; should *the Government* fail to reply to such reminder within a period of one month, its silence shall be regarded as approval.

(D) Lands which do not belong to *the Government* and which are necessary to *the Company* shall be acquired by *the Company*, by agreement with the parties interested, and through the medium of *the Government*.

* Not printed.

In case agreement should not be reached as to the prices, *the Government* shall not allow the owners of such lands to demand a price higher than the prices commonly current for neighbouring lands of the same nature. In valuing such lands, no regard shall be paid to the use to which *the Company* may wish to put them.

(E) Holy places and historical monuments, as well as all places and sites of historical interest are excluded from the foregoing provisions, as well as their immediate surroundings for a distance of at least 200 metres.

(F) *The Company* has the non-exclusive right to take within the territory of the Concession, but not elsewhere, on any unutilised land belonging to the State, and to utilise gratuitously for all the operations of *the Company*, any kinds of soil, sand, lime, gypsum, stone and other building materials. It is understood that if the utilisation of the said materials were prejudicial to any rights whatever of third parties, *the Company* should indemnify those whose rights were infringed.

ARTICLE 5

The operations of *the Company in Persia* shall be restricted in the following manner:

- (1) the construction of any new railway line and of any new port shall be subject to a previous agreement between *the Government* and *the Company*.
- (2) if *the Company* wishes to increase its existing service of telephones, telegraphs, wireless and aviation in Persia, it shall only be able so to do with the previous consent of *the Government*.

If *the Government* requires to utilise the means of transport and communication of *the Company* for national defence or in other critical circumstances, it undertakes to impede as little as possible the operations of *the Company*, and to pay it fair compensation for all damages caused by the utilisation above-mentioned.

ARTICLE 6

(A) *The Company* is authorised to effect, without special licence, all imports necessary for the exclusive needs of its employees on payment of the Custom duties and other duties and taxes in force at the time of importation.

The Company shall take the necessary measures to prevent the sale or the handing over of products imported to persons not employed by *the Company*.

(B) *The Company* shall have the right to import, without special licence, the equipment, material, medical and surgical instruments and pharmaceutical products necessary for its dispensaries and hospitals in Persia, and shall be exempt in respect thereof from any Custom duties and other duties and taxes in force at the time of importation, or payments of any nature whatever to the Persian State or to local authorities.

(C) *The Company* shall have the right to import, without any licence and exempt from any Custom duties and from any taxes or payments of any nature whatever to the Persian State or to local authorities, anything necessary exclusively for the operations of *the Company in Persia*.

(D) The exports of *petroleum* shall enjoy Customs immunity and shall be exempt from any taxes or payments of any nature whatever to the Persian State or to local authorities.

ARTICLE 7

(A) *The Company* and its employees shall enjoy the legal protection of the Government.

(B) *The Government* shall give, within the limits of the laws and regulations of the country, all possible facilities for the operations of the *Company* in Persia.

(C) If the Government grants concessions to third parties for the purpose of exploiting other mines within the territory of the concession, it must cause the necessary precautions to be taken in order that these exploitations do not cause any damage to the installations and works of the *Company*.

(D) *The Company* shall be responsible for the determination of dangerous zones for the construction of habitations, shops and other buildings, in order that the Government may prevent the inhabitants from settling there.

ARTICLE 8

The Company shall not be bound to convert into Persian currency any part whatsoever of its funds, in particular any proceeds of the sale of its exports from Persia.

ARTICLE 9

The Company shall immediately make its arrangements to proceed with its operations in the province of Kermanshah through a subsidiary company with a view to producing and refining petroleum there.

ARTICLE 10

(I) The sums to be paid to the Government by the *Company* in accordance with this Agreement (besides those provided in other articles) are fixed as follows:

- (a) an annual royalty, beginning on 1st January, 1933, of four shillings per ton of petroleum sold for consumption in Persia or exported from Persia;
- (b) Payment of a sum equal to twenty per cent. (20%) of the distribution to the ordinary stockholders of the *Anglo-Persian Oil Company Limited*, in excess of the sum of six hundred and seventy-one thousand two hundred and fifty pounds sterling (£671,250) whether that distribution be made as dividends for any one year or whether it relates to the reserves of that company, exceeding the reserves which, according to its books, existed on 31st December, 1932.
- (c) The total amount to be paid by the *Company* for each calendar (Christian) year under sub-clauses (a) and (b) shall never be less than seven hundred and fifty thousand pounds sterling (£750,000).

(II) Payments by the *Company* under this Article shall be made as follows:

- (a) On 31st March, 30th June, 30th September and 31st December of each year, on each occasion one hundred and eighty-seven thousand five hundred pounds sterling (£187,500). (The payment relating to 31st March, 1933, shall be made immediately after the ratification of the present Agreement.)
- (b) On 28th February, 1934, and thereafter on the same date in each year, the amount of the tonnage royalty for the previous year provided for in sub-clause (I) (a) less the sum of seven hundred and fifty thousand pounds sterling (£750,000), already paid under sub-clause (II) (a).
- (c) Any sums due to the Government under sub-clause (I) (b) of this Article shall be paid simultaneously with any distributions to the ordinary stockholders.

(III) On the expiration of this Concession, as well as in the case of surrender by *the Company* under Article 25 *the Company* shall pay to *the Government* a sum equal to twenty per cent. (20%) of:

- (a) the surplus difference between the amount of the reserves (General Reserve) of *the Anglo-Persian Oil Company Limited*, at the date of the expiration of the Concession or of its surrender, and the amount of the same reserves at 31st December, 1932;
- (b) the surplus difference between the balance carried forward by *the Anglo-Persian Oil Company Limited* at the date of the expiration of the Concession or of its surrender and the balance carried forward by that Company at 31st December, 1932. Any payment due to *the Government* under this clause shall be made within a period of one month from the date of the General Meeting of the Company following the expiration or the surrender of the Concession.

(IV) *The Government* shall have the right to check the returns relating to sub-clause (I) (a) which shall be made to it at latest on 28th February for the preceding year.

(V) To secure *the Government* against any loss which might result from fluctuations in the value of English currency, the parties have agreed as follows:

- (a) if, at any time, the price of gold in London exceeds six pounds sterling per ounce (ounce troy) the payments to be made by *the Company* in accordance with the present Agreement (with the exception of sums due to *the Government* under sub-clause (I) (b) and clause (III) (a) and (b) of this Article and sub-clause (I) (a) of Article 23) shall be increased by one thousand four hundred and fortieth part ($\frac{1}{140}$) for each penny of increase of the price of gold above six pounds sterling (£6) per ounce (ounce troy) on the due date of the payments.
- (b) if, at any time, *the Government* considers that gold has ceased to be the general basis of values and that the payments above mentioned no longer give it the security which is intended by the parties, the parties shall come to an agreement as to a modification of the nature of the security above mentioned or, in default of such an arrangement, shall submit the question to the Arbitration Court (Article 22) which shall decide whether the security provided in sub-clause (a) above ought to be altered and if so, shall settle the provisions to be substituted therefor and shall fix the period to which such provisions shall apply.

(VI) In case of a delay, beyond the dates fixed in the present Agreement, which might be made by *the Company* in the payment of sums due by it to *the Government*, interest at five per cent. (5%) per annum shall be paid for the period of delay.

ARTICLE 11

(I) *The Company* shall be completely exempt, for its operations in Persia, for the first thirty years, from any taxation present or future of the State and of local authorities; in consideration therefor the following payments shall be made to *the Government* :—

- (a) During the first fifteen years of this Concession, on 28th February of each year and for the first time on 28th February, 1934, nine pence for each of the first six million (6,000,000) tons of *petroleum*, on which the royalty provided for in Article 10 (I) (a) is payable for the preceding calendar (Christian) year, and six pence for each ton in excess of the figure of six million (6,000,000) tons above defined.

- (b) *The Company* guarantees that the amount paid under the preceding sub-clause shall never be less than two hundred and twenty-five thousand pounds sterling (£225,000).
- (c) During the fifteen years following, one shilling for each of the first six million (6,000,000) tons of *petroleum*, on which the royalty provided for in Article 10 (I) (a) is payable for the preceding calendar year, and nine pence for each ton in excess of the figure of 6,000,000 tons above defined.
- (d) *The Company* guarantees that the amount paid under the preceding sub-clause (c) shall never be less than three hundred thousand pounds sterling (£300,000).

(II) Before the year 1963 the parties shall come to an agreement as to the amounts of the annual payments to be made, in consideration of the complete exemption of *the Company* for its *operations in Persia* from any taxation of the State and of local authorities, during the second period of thirty years extending until 31st December, 1993.

ARTICLE 12

(A) *The Company*, for its *operations in Persia* in accordance with the present Agreement, shall employ all means customary and proper, to ensure economy in and good returns from its operations, to preserve the deposits of *petroleum* and to exploit its Concession by methods in accordance with the latest scientific progress.

(B) If, within the territory of the Concession, there exist other mineral substances than *petroleum* or woods and forests belonging to *the Government*, *the Company* may not exploit them in accordance with the present Concession, nor object to their exploitation by other persons (subject to the due compliance with the terms of clause (C) of Article 7); but *the Company* shall have the right to utilise the said substances or the woods and forests above-mentioned if they are necessary for the exploration or the extraction of *petroleum*.

(C) All boreholes which, not having resulted in the discovery of *petroleum*, produce water or precious substances, shall be reserved for *the Government* which shall immediately be informed of these discoveries by *the Company*, and *the Government* shall inform *the Company* as soon as possible if it wishes to take possession of them. If it wishes to take possession it shall watch that the operations of *the Company* be not impeded.

ARTICLE 13

The Company undertakes to send, at its own expense and within a reasonable time, to the Ministry of Finance, whenever the representative of *the Government* shall request it, accurate copies of all plans, maps, sections and any other data whether topographical, geological or of drilling, relating to the territory of the Concession, which are in its possession.

Furthermore, *the Company* shall communicate to *the Government* throughout the duration of the Concession all important scientific and technical data resulting from its work in Persia,

All these documents shall be considered by *the Government* as confidential.

ARTICLE 14

(A) *The Government* shall have the right to cause to be inspected at its wish, at any reasonable time, the technical activity of *the Company* in Persia, and to nominate for this purpose technical specialist experts.

(B) *The Company* shall place at the disposal of the specialist experts nominated to this end by *the Government*, the whole of its records relative to scientific and technical data, as well as all measuring apparatus and means of measurement, and these specialist experts shall, further, have the right to ask for any information in all the offices of *the Company* and on all the territories in Persia.

ARTICLE 15

The Government shall have the right to appoint a Representative who shall be designated "Delegate of the Imperial Government." This Representative shall have the right—

- (1) to obtain from *the Company* all the information to which the stockholders of *the Company* are entitled;
- (2) to be present at all the meetings of the Board of Directors, of its committees and at all the meetings of stockholders, which have been convened to consider any question arising out of the relations between *the Government* and *the Company*;
- (3) to preside *ex-officio*, with a casting vote, over the Committee to be set up by *the Company* for the purpose of distributing the grant for and supervising the professional education in Great Britain of Persian nationals referred to in Article 16;
- (4) to request that special meetings of the Board of Directors be convened at any time, to consider any proposal that *the Government* shall submit to it. These meetings shall be convened within 15 days from the date of the receipt by the Secretary of *the Company* of a request in writing to that end.

The Company shall pay to *the Government* to cover the expenses to be borne by it in respect of the salary and expenses of the above-mentioned Delegate a yearly sum of two thousand pounds sterling (£2,000). *The Government* shall notify *the Company* in writing of the appointment of this Delegate and of any changes in such appointment.

ARTICLE 16

(I) Both parties recognise and accept as the principle governing the performance of this Agreement the supreme necessity, in their mutual interest, of maintaining the highest degree of efficiency and of economy in the administration and the *operations of the Company in Persia*.

(II) It is, however, understood that *the Company* shall recruit its artisans as well as its technical and commercial staff from among Persian nationals to the extent that it shall find in Persia persons who possess the requisite competence and experience. It is likewise understood that the unskilled staff shall be composed exclusively of Persian nationals.

(III) The parties declare themselves in agreement to study and prepare a general plan of yearly and progressive reduction of the non-Persian employees with a view to replacing them in the shortest possible time and progressively by Persian nationals.

(IV) *The Company* shall make a yearly grant of ten thousand pounds sterling in order to give in Great Britain, to Persian nationals, the professional education necessary for the oil industry.

The said grant shall be expended by a Committee which shall be constituted as provided in Article 15.

ARTICLE 17

The Company shall be responsible for organising and shall pay the cost of the provision, control and upkeep of, sanitary and public health services,

according to the requirements of the most modern hygiene practised in Persia, on all the lands of *the Company* and in all buildings and dwellings, destined by *the Company* for the use of its employees, including the workmen employed within the territory of the Concession.

ARTICLE 18

Whenever *the Company* shall make issues of shares to the public, the subscription lists shall be opened at Tehran at the same time as elsewhere.

ARTICLE 19

The Company shall sell for internal consumption in Persia, including the needs of *the Government*, motor spirit, kerosene and fuel oil, produced from Persian *petroleum*, on the following basis:—

- (a) On the first of June in each year *the Company* shall ascertain the average Roumanian f.o.b. prices for motor spirit, kerosene and fuel oil and the average Gulf of Mexico f.o.b. prices for each of these products during the preceding period of twelve months ending on 30th April. The lowest of these average prices shall be selected. Such prices shall be the "basic prices" for a period of one year beginning on 1st June. The "basic prices" shall be regarded as being the prices at the refinery.
- (b) *The Company* shall sell: (1) to *the Government* for its own needs, and not for resale, motor spirit, kerosene and fuel oil at the basic prices, provided in sub-clause (a) above, with a deduction of twenty-five per cent. (25%); (2) to other consumers at the basic prices with a deduction of ten per cent. (10%).
- (c) *The Company* shall be entitled to add to the basic prices mentioned in sub-clause (a), all actual costs of transport and of distribution and of sale, as well as any imposts and taxes on the said products.
- (d) *The Government* shall forbid the export of the *petroleum* products sold by *the Company* under the provisions of this article.

ARTICLE 20

(I)—(a) During the last ten years of the Concession or during the two years from the notice preceding the surrender of the Concession provided in Article 25, *the Company* shall not sell or otherwise alienate, except to *sub-ordinate companies*, any of its immovable properties in Persia. During the same period *the Company* shall not alienate or export any of its movable property whatever except such as has become unutilisable.

(b) During the whole of the period preceding the last ten years of the Concession, *the Company* shall not alienate any land obtained by it gratuitously from *the Government*; it shall not export from Persia any movable property except in the case when such property shall have become unutilisable or shall be no longer necessary for the *operations of the Company in Persia*.

(II) At the end of the Concession, whether by expiration of time or otherwise, all the property of *the Company* in Persia shall become the property of *the Government* in proper working order and free of any expenses and of any encumbrances.

(III) The expression "all the property" comprises all the lands, buildings and workshops, constructions, wells, jetties, roads, pipe-lines, bridges, drainage and water supply systems, engines, installations and equipments (including tools) of any sort, all means of transport and communication in

Persia (including for example automobiles, carriages, aeroplanes), any stocks and any other objects in Persia which *the Company* is utilising in any manner whatsoever for the objects of the Concession.

ARTICLE 21

The contracting parties declare that they base the performance of the present Agreement on principles of mutual good will and good faith as well as on a reasonable interpretation of this Agreement.

The Company formally undertakes to have regard at all times and in all places to the rights, privileges and interests of *the Government* and shall abstain from any action or omission which might be prejudicial to them.

This Concession shall not be annulled by *the Government* and the terms therein contained shall not be altered either by general or special legislation in the future, or by administrative measures or any other acts whatever of the executive authorities.

ARTICLE 22

(A) Any differences between the parties of any nature whatever and in particular any differences arising out of the interpretation of this Agreement and of the rights and obligations therein contained as well as any differences of opinion which may arise relative to questions for the settlement of which, by the terms of this Agreement, the agreement of both parties is necessary, shall be settled by arbitration.

(B) The party which requests arbitration shall so notify the other party in writing. Each of the parties shall appoint an arbitrator, and the two arbitrators, before proceeding to arbitration, shall appoint an umpire. If the two arbitrators cannot, within two months, agree on the person of the umpire, the latter shall be nominated, at the request of either of the parties, by the President of the Permanent Court of International Justice. If the President of the Permanent Court of International Justice belongs to a nationality or a country which, in accordance with clause (C), is not qualified to furnish the umpire, the nomination shall be made by the Vice-President of the said Court.

(C) The umpire shall be of a nationality other than Persian or British; furthermore, he shall not be closely connected with Persia or with Great Britain as belonging to a dominion, a protectorate, a colony, a mandated country or other country administered or occupied by one of the two countries above mentioned or as being or having been in the service of one of these countries.

(D) If one of the parties does not appoint its arbitrator or does not advise the other party of its appointment, within sixty days of having received notification of the request for arbitration, the other party shall have the right to request the President of the Permanent Court of International Justice (or the Vice-President in the case provided at the end of clause (B)) to nominate a sole arbitrator, to be chosen from among persons qualified as above mentioned, and in this case the difference shall be settled by this sole arbitrator.

(E) The procedure of arbitration shall be that followed, at the time of arbitration, by the Permanent Court of International Justice. The place and time of arbitration shall be fixed by the umpire or by the sole arbitrator provided for in clause (D), as the case may be.

(F) The award shall be based on the juridical principles contained in Article 38 of the Statutes of the Permanent Court of International Justice.⁽¹⁾ There shall be no appeal against the award.

(G) The expenses of arbitration shall be borne in the manner determined by the award.

⁽¹⁾ Treaty Series No. 67 (1946) Cmd. 7015.

ARTICLE 23

(I) In full settlement of all the claims of *the Government* of any nature in respect of the past until the date of coming into force of this Agreement (except in regard to Persian taxation), *the Company*: (a) shall pay within a period of thirty days from the said date the sum of one million pounds sterling (£1,000,000) and besides (b) shall settle the payments due to *the Government* for the financial years 1931 and 1932 on the basis of Article 10 of this Agreement and not on that of the former D'Arcy Concession, after deduction of two hundred thousand pounds sterling (£200,000) paid in 1932 to *the Government* as an advance against the royalties and £113,403 3s. 10d. placed on deposit at the disposal of *the Government*.

(II) Within the same period, *the Company* shall pay to *the Government* in full settlement of all its claims in respect of taxation for the period from 21st March, 1930, to 31st December, 1932, a sum calculated on the basis of sub-clause (a) of clause I of Article 11, but without the guarantee provided in sub-clause (b) of the same clause.

ARTICLE 24

If, by reason of the annulment of the D'Arcy Concession, litigation should arise between *the Company* and private persons on the subject of the duration of leases made in Persia before 1st December, 1932, within the limits allowed by the D'Arcy Concession, the litigation shall be decided according to the rules of interpretation following:

- (a) If the lease is to determine, according to its terms, at the end of the D'Arcy Concession, it shall retain its validity until 28th May, 1961, notwithstanding the annulment of the said Concession.
- (b) If it has been provided in the lease that it shall be valid for the duration of the D'Arcy Concession and in the event of its renewal for the duration of the renewed Concession, the lease shall retain its validity until 31st December, 1993.

ARTICLE 25

The Company shall have the right to surrender this Concession at the end of any Christian calendar year, on giving to *the Government* notice in writing two years previously.

On the expiry of the period above provided, the whole of the property of *the Company* in Persia, defined in Article 20, (III) shall become free of cost and without encumbrances the property of *the Government* in proper working order and *the Company* shall be released from any engagement for the future. In case there should be disputes between the parties concerning their engagements before the expiry of the period above provided the differences shall be settled by arbitration as provided in Article 22.

ARTICLE 26

This Concession is granted to *the Company* for the period beginning on the date of its coming into force and ending on 31st December, 1993.

Before the date of the 31st December, 1993, this Concession can only come to an end in the case that *the Company* should surrender the Concession (Article 25) or in the case that the Arbitration Court should declare the Concession annulled as a consequence of default of *the Company* in the performance of the present Agreement.

The following cases only shall be regarded as default in that sense:

- (a) If any sum awarded to Persia by the Arbitration Court has not been paid within one month of the date of the award.
- (b) If the voluntary or compulsory liquidation of *the Company* be decided upon.

In any other cases of breach of the present Agreement by one party or the other the Arbitration Court shall establish the responsibilities and determine their consequences.

Any transfer of the Concession shall be subject to confirmation by *the Government*.

ARTICLE 27

This Agreement shall come into force after ratification by the Majlis and promulgation by Decree of His Imperial Majesty the Shah. *The Government* undertakes to submit this Agreement, as soon as possible, for ratification by the Majlis.

Made at Tehran the twenty-ninth April one thousand nine hundred and thirty-three.

For the Imperial Government of Persia,

S. H. TAQIZADEH.

For and on behalf of the Anglo-Persian Oil Company, Limited,

JOHN CADMAN, *Chairman.*

W. FRASER, *Deputy Chairman.*

[No. 2]

Supplemental Agreement between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, made at Tehran on 17th July, 1949

Whereas on 29th April, 1933, an Agreement (herein called "the Principal Agreement") was entered into between the Imperial Government of Persia (now known as "the Imperial Iranian Government") of the one part and the Anglo-Persian Oil Company, Limited (now known as the "Anglo-Iranian Oil Company, Limited") of the other part which established a Concession for the regulation of the relations between the two parties above mentioned

And whereas the Government and the Company have after full and friendly discussion agreed that in view of the changes in economic conditions brought about by the World War of 1939-1945 the financial benefits accruing to the Government under the Principal Agreement should be increased to the extent and in the manner hereinafter appearing

And whereas for this purpose the parties have agreed to enter into a Supplemental Agreement:—

Now it is hereby agreed between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, as follows:—

1. This Agreement is supplemental to and shall be read with the Principal Agreement.

2. Any of the terms used herein which have been defined in the Principal Agreement shall have the same meaning as in the Principal Agreement, save that, for the purposes of this Agreement, all references in the Principal Agreement to Persia, Persian, the Imperial Government of Persia and the Anglo-Persian Oil Company, Limited, shall be read as references to Iran, Iranian, the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited, respectively and the references to the Permanent Court of International Justice shall be read as references to the International Court of Justice established by the United Nations.

3.—(a) In respect of the calendar year ended 31st December, 1948, and thereafter, the rate of the annual royalty payable to the Government under sub-clause (I) (a) of Article 10 of the Principal Agreement shall be increased from four shillings to six shillings per ton of petroleum sold for consumption in Iran or exported from Iran.

(b) The Company shall within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of three million three hundred and sixty-four thousand four hundred and fifty-nine pounds sterling (£3,364,459), as a retrospective application to cover the calendar year ended 31st December, 1948, of the modification introduced by sub-clause (a) of this Clause 3, taking into account the provisions of sub-clause (V) (a) of Article 10 of the Principal Agreement.

4.—(a) In order that the Government may receive a greater and more certain and more immediate benefit in respect of amounts placed to the General Reserve of the Anglo-Iranian Oil Company, Limited, than that provided by sub-clause (I) (b) and sub-clause (III) (a) of Article 10 of the Principal Agreement, the Company shall pay to the Government in respect of each amount placed to the General Reserve of the Anglo-Iranian Oil Company, Limited, in respect of each financial period for which the accounts of that company are made up (starting with the financial period ended 31st December, 1948) a sum equal to twenty per cent (20%) of a figure to be arrived at by increasing the amount placed to General Reserve (as shown by the published accounts for the financial period in question) in the same proportion as twenty shillings sterling (s.20/-) bear the difference between twenty shillings sterling (s.20/-) and the Standard Rate of British Income Tax in force at the relevant date.

The relevant date shall be the date of the final distribution to the Ordinary Stockholders in respect of the financial period in question, or, in the event of there being no such final distribution, a date one calendar month after the date of the Annual General Meeting at which the accounts in question were presented.

Examples of the implementation of the principle set out in this sub-clause (a) have been agreed between the parties hereto and are set out in the Schedule to this Agreement.

(b) If in respect of any financial period for which the accounts of the Anglo-Iranian Oil Company, Limited, are made up (starting with the financial period ended 31st December, 1948) the total amount payable by the Company to the Government under sub-clause (a) of this Clause 4 and sub-clause (I) (b) of Article 10 of the Principal Agreement shall be less than four million pounds sterling (£4,000,000) the Company shall pay to the Government the difference between the said total amount and four million pounds sterling (£4,000,000). Provided, however, that if during any such financial period the Company shall have ceased, owing to events outside its control, to export petroleum from Iran, the amount payable by the Company in respect of such period in accordance with the foregoing provisions of this sub-clause (b) shall be

reduced by a sum which bears the same proportion to such amount as the period of such cessation bears to such financial period.

(c) Any sum due to the Government in respect of any financial period under sub-clause (a) or sub-clause (b) of this Clause 4 shall be paid on the relevant date appropriate to that financial period.

(d) The provisions of Clause (V) of Article 10 of the Principal Agreement shall not apply to any payments made by the Company to the Government in accordance with sub-clause (a) or sub-clause (b) of this Clause 4.

5.—(a) In respect of the sum of fourteen million pounds sterling (£14,000,000) shown in the Balance Sheet of the Anglo-Iranian Oil Company, Limited, dated 31st December, 1947, as constituting the General Reserve of that company, the Company shall, within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of five million and ninety thousand nine hundred and nine pounds sterling (£5,090,909).

(b) The provisions of Clause (V) of Article 10 of the Principal Agreement shall not apply to the payment to be made by the Company in accordance with sub-clause (a) of this Clause 5.

6. The payments to be made by the Company under Clauses 4 and 5 of this Agreement shall be in lieu of and in substitution for—

- (i) any payments to the Government under sub-clause (I) (b) of Article 10 of the Principal Agreement in respect of any distribution relating to the General Reserve of the Company, and
- (ii) any payment which might become payable by the Company to the Government in respect of the General Reserve under sub-clause (III) (a) of Article 10 of the Principal Agreement on the expiration of the Concession or in the case of surrender by the Company under Article 25 of the Principal Agreement.

7.—(a) In respect of the calendar year ended 31st December, 1948, and thereafter, the rate of payment to be made by the Company to the Government in accordance with sub-clause (I) (c) of Article 11 of the Principal Agreement which relates to the payment to be made in respect of the excess over 6,000,000 tons shall be increased from ninepence to one shilling.

(b) The Company shall, within a period of thirty days from the date of coming into force of this Agreement, pay to the Government the sum of three hundred and twelve thousand nine hundred pounds sterling (£312,900), as a retrospective application to cover the calendar year ended 31st December, 1948, of the modification introduced by sub-clause (a) of this Clause 7, taking into account the provisions of sub-clause (V) of Article 10 of the Principal Agreement.

8.—(a) At the end of sub-clause (a) of Article 19 of the Principal Agreement there shall be added a paragraph in the following terms: "If at any time either party shall consider that either Roumanian prices or Gulf of Mexico prices no longer provide suitable standards for fixing 'basic prices,' then the 'basic prices' shall be determined by mutual agreement of the parties, or in default of such agreement by arbitration under the provisions of Article 22. The 'basic prices' so determined shall become binding on both parties by an agreement effected by exchange of letters between the Government (which shall have full capacity to enter into such an agreement) and the Company."

Note Verbale handed by His Majesty's Ambassador at Tehran to the Persian Prime Minister on 24th February, 1951

His Majesty's Ambassador presents his compliments to his Excellency the Prime Minister and, under instruction, has the honour to make the following communication:—

His Excellency will no doubt have seen the report of the answer given in the British House of Commons to the question asked on 21st February about the present state of negotiations between the Iranian Government and the Anglo-Iranian Oil Company. This expressed the considered view of His Majesty's Government.

Relying on the security of their concession, the Company have built in Iran an enormous industry to the very great and increasing benefit of Iran.

Under Articles 21 and 26 the Company's concession cannot legally be terminated by an act such as nationalisation.

While the Company are prepared to discuss an agreement on a basis of an equal sharing of profits in Iran, they obviously cannot be expected to do so except on the clear understanding that the terms of the existing concession would be unaltered. They could not enter into any such arrangement under threat of nationalisation.

The Company have come to the assistance of the present Iranian Government by making substantial advances in respect of future royalties. At his Excellency's request this fact has not been published and this is prejudicial to the Company. His Majesty's Government believe that the recent exchange of letters⁽²⁾ should in fairness to the Company be made public.

In the light of the foregoing observations, His Majesty's Government cannot be expected to comment on any proposed resolution referring to nationalisation.

Letter from His Majesty's Ambassador at Tehran to the Persian Prime Minister dated 23rd February, 1951 (handed to the latter on 24th February, 1951)

Your Excellency,

The situation in connexion with the Supplemental Oil Agreement has attracted the attention of the British House of Commons and a question was asked on the subject on 21st February. The reply was to the effect that the British Government cannot remain indifferent to the affairs of so important an industrial undertaking as the Anglo-Iranian Oil Company and it will be noted that attention was drawn to the fact that the Supplemental Agreement had only been discussed in Iran in general terms. In view of the fact that His Majesty's Government have now been obliged to take official cognizance of this matter, I feel that I should warn your Excellency that there are certain aspects of Anglo-Iranian relations which have been causing considerable concern.

(2) Between the Anglo-Iranian Oil Company's Chief Representative in Tehran and the Persian Prime Minister concerning advances in respect of future royalties.

2. There has been a good deal of criticism in Iran of the Western Powers including the United Kingdom for not having provided the post-war help to which Iran felt that she had a right. So far as financial help is concerned, it seems to have been forgotten that the British Government has paid £8½ million for usage of the Iranian railway system during the war and that the British Government were quite as anxious as the Iranian Government to support an increase in royalty rates for oil which would correspond in a just and reasonable manner to the post-war conditions of the oil industry in Iran. The resulting agreement would not only have brought the Iranian Government a lump sum of over £40 million but would have secured an income in good years from royalties and participation amounting to something like £30 million sterling. It is certainly the fault neither of the British Government nor of the Anglo-Iranian Oil Company that this agreement, which was more advantageous than any other in the Middle East, was not brought into effect. Nevertheless, owing to the difficulties in which the Iranian Government found themselves as a result of the non-ratification of the Oil Agreement, the British Government last summer offered a loan and after the withdrawal of the Supplemental Agreement from the Majlis the Oil Company itself arranged for payments on account of royalties amounting to £28½ million during 1951, as well as agreeing to deposit £10 million sterling with the Bank Milli in order to assist the Iranian Government with its proposal to increase the note issue. Furthermore the Company have expressed their willingness to examine an arrangement on a 50-50 basis, comparable with that recently reached in Saudi Arabia.

3. None of these gestures with regard to oil or a loan have been made public and a state of public opinion has been allowed to grow up which has been hostile to the Oil Company, and as a corollary to Great Britain. Nor has the Iranian Government taken any steps to impede this development. A situation has accordingly been allowed to arise in which the Government is faced with a political demand for nationalisation of oil supported by organised anti-Oil Company demonstrations, the propaganda of which is founded on misrepresentation and ignorance.

4. This state of affairs, combined with the menacing financial situation of the country, has led to a crisis when it is necessary in the interests of Anglo-Iranian relations as well as of the safety and progress of Iran itself, that measures should be taken to instruct public opinion. It can scarcely be expected that the British Government can countenance a campaign in favour of nationalisation of the oil industry in defiance of the country's contractual obligations. Apart from the practical impossibility of anything of the sort, it is inadmissible that the efforts both of His Majesty's Government and of the Oil Company to assist Iran should not only be ignored but should be turned to the disadvantage of both. I feel, therefore, that the time has come when a strong line of conduct should be adopted by the Iranian Government in order to explain what has already been done to help Iran and to make sure that future discussions on the subject of oil should be conducted in a reasonable spirit and in full knowledge of the facts.

5. I fear that the apparent willingness of Iranians to permit themselves uninstructed criticism both of the Oil Company and of Great Britain is founded on past prejudices which take no account of the immense service to mankind in general of the British people in recent times. It is to my mind most regrettable that public opinion in Iran should, as is apparently the case, cling to the out-of-date conception of England as a Power anxious to impose imperialism and colonialism wherever it can. Such an attitude not only takes no account of the achievements of the British Empire and

Commonwealth of Nations in recent years, but furthers the designs of those who wish to spread suspicion and dislike of the free nations.

6. I venture to write you this letter because I feel that, as I have said above, a critical moment has arrived and that only strong action to instruct public opinion in such a manner as to draw the attention of the country to the critical situation can bring about a solution.

I avail, &c.

F. M. SHEPHERD.

[No. 5]

Majlis Oil Commission Resolution, dated 8th March, 1951.

In view of the fact that, among the proposals received by the Oil Commission, the proposal⁽³⁾ to nationalise the oil industry throughout the country has been considered and accepted by the Commission and since the time left for studying the execution of this proposal is not enough, the Special Oil Commission requests the Majlis to grant an extension of two months for this purpose.

[No. 6]

Note from His Majesty's Ambassador at Tehran to the Persian Prime Minister, dated 14th March, 1951.

Your Excellency,

As your Excellency is aware, His Majesty's Government in the United Kingdom attach the highest importance to relations of friendship and confidence in all matters between the people and Government of Iran and those of the United Kingdom; and His Majesty's Government have followed with friendly interest the plans of the Imperial Government to secure administrative reforms and to provide for the improvement of the standards of living of the Iranian people. They had therefore noted with satisfaction the conclusion of an agreement in 1949 between the Imperial Government and the Anglo-Iranian Oil Company for an increase in the annual payments to the Iranian Government, an agreement which would have secured for the Imperial Government a more advantageous return per ton of oil than that enjoyed by any other Government in the Middle East and which would have enabled the Imperial Government to proceed with its plans.

His Majesty's Government were correspondingly disappointed that this agreement could not be put into force owing to the difficulties and delays experienced by the Imperial Government in seeking its ratification by the Majlis; but meanwhile, as your Excellency is also aware, His Majesty's Government had for some time past been considering in what way the Imperial Government could be assisted in their consequent financial difficulties. It was accordingly gratifying to His Majesty's Government to know that

⁽³⁾ The proposal referred to is one previously accepted by the Commission which reads: "In the name of the prosperity of the Persian nation and with a view to helping secure world peace, we, the undersigned, propose that the oil industry of Persia be declared as nationalised throughout all regions of the country without exception, that is to say all operations for exploration, exploitation and extraction shall be in the hands of the Government." This proposal is also referred to in the Harriman formula (No. 27).

the Anglo-Iranian Oil Company had recently voluntarily offered, in spite of the withdrawal from the Majlis of the Supplemental Agreement, to make advances of royalties to the Imperial Government as a result of which the total payments to that Government in 1951 will be some £28½ million. This sum is considerably in excess of the total payments which might have been expected during the same period under the 1933 agreement. This offer was accepted and the first instalment has already been paid.

His Majesty's Government cannot be indifferent to the affairs of the Anglo-Iranian Oil Company, an important British and, indeed, international interest. It is, therefore, with much concern that His Majesty's Government learn that the Majlis Oil Commission have indicated that they are contemplating the "nationalisation" of that interest before the expiry of the Company's concession agreement. In that regard there are certain considerations to which they desire to invite the urgent attention of the Imperial Government.

- (a) It is necessary, first, to draw clear distinction between the principle of nationalisation and the expropriation of an industry which has been operating in Iran on the security of a regularly negotiated agreement valid until 1993, and, relying on that security, has in all good faith spent enormous sums of money in development.
- (b) His Majesty's Government are advised that under the terms of its agreement, the Company's operations cannot legally be terminated by an act such as "nationalisation."
- (c) Under Article 22 of the agreement, the Imperial Government of the Anglo-Iranian Oil Company agreed in certain circumstances to have recourse to the good offices of the President (or Vice-President) of the Permanent Court of International Justice in connexion with the nomination of an umpire or a sole arbitrator should differences of opinion occur to make recourse to arbitration desirable; that provision was made known in the Court in simultaneous and identical letters addressed by His Majesty's Government and the Imperial Government to the Registrar of the Court on 17th August, 1933.
- (d) As the Imperial Government are aware, the Company are prepared to discuss a new agreement with them on the basis of an equal sharing of profits in Iran; but the Company evidently could not entertain any such proposition unless they were assured that their agreement would be permitted to run its full course.

His Majesty's Government must at the same time express their regret that public opinion in Iran has apparently not been adequately or correctly informed regarding the operations and intentions of the Anglo-Iranian Oil Company. The fact is that, as your Excellency's Government are well aware, the Anglo-Iranian Oil Company have no desire other than to carry on legitimate business in association with the Iranian Government. His Majesty's Government for their part welcomed the initiative taken in 1948 by the Company in proposing an increase in royalties and other benefits to Iran. The advantages of the resulting agreement, however, were never explained to the Iranian public nor was the agreement fully discussed by the Majlis, whose debates on the subject of oil have dealt with matters outside the scope of the actual agreement. The impression was allowed to arise that the Supplemental Agreement implied some prolongation of the agreement of 1933 or imposed obligations on the Imperial Government; whereas, as your Excellency is aware, this was not the case. The Supplemental Agreement would have brought substantial benefits to Iran, and it did not affect either the period or the general validity of the 1933 Agreement.

Notwithstanding the lack of appreciation that has hitherto been shown of the intentions of the Anglo-Iranian Oil Company towards the Imperial

Government and people of Iran, His Majesty's Government wish, in bringing these considerations to the attention of your Excellency's Government, to express their conviction that the continued collaboration of the Anglo-Iranian Oil Company with the Government of Iran is in the best interests of the Government and people of Iran; and they earnestly hope that future discussions on the oil question will take place on a fair and reasonable basis in a friendly spirit.

I avail, &c.

F. M. SHEPHERD.

[No. 7]

Single Article Bill approved by Majlis on 15th March, 1951, and by Senate on 20th March, 1951.

The Majlis confirms the Special Oil Commission's decision of 8th March, 1951,⁽⁴⁾ and approves the extension of the Commission's term of office for two months.

[No. 8]

Note from Persian Prime Minister to His Majesty's Ambassador at Tehran, dated 8th April, 1951.

M. l'Ambassadeur,

In acknowledging receipt of your Excellency's note No. 30 of 14th March, 1951, I wish to bring the following to your attention. The Imperial Iranian Government in its turn is very anxious to maintain and strengthen friendly relations and mutual confidence in all matters between the peoples and Governments of Iran and Britain. As for the question of oil, as your Excellency is aware, the Iranian Government's business is with the A.I.O.C. and that company has not raised the matter or made any statements. However, since you have seen fit to enter on this question, I consider it necessary not to leave your Excellency's note unanswered, and the following points must therefore be mentioned:—

- (i) In spite of the changes that have taken place in the world situation in general and in the social life and public opinion of Iran in particular and in spite of the statement⁽⁵⁾ I made to your Excellency on 8th June, 1950, when I was Minister for Foreign Affairs, the company paid no attention to the justified claims of Iran and declared the draft Supplemental Agreement⁽⁶⁾ to be their maximum possible limit of concession, although events had made it clear that public opinion in this country did not consider that Bill as sufficiently assuring the rights of the Iranian people.
- (ii) As you know, the present position is that both Houses of the Majlis have unanimously accepted the principle of nationalisation of the oil industry and the Special Oil Commission is now studying how to put that principle into practice, in order to submit its proposals to both Houses of the Majlis for final decision. At present the Government's only obligation is to await the result of the Commission's deliberations.

HUSAIN ALA.

⁽⁴⁾ No. 5.

⁽⁵⁾ This refers to a statement by M. Ala on 7th June, 1950, in which he said that Persia should receive more generous treatment from the A.I.O.C. than that offered by the Supplemental Agreement.

⁽⁶⁾ No. 2.

Aide-Mémoire handed by His Majesty's Ambassador at Tehran to the Persian Prime Minister on 26th April, 1951

His Majesty's Government have an undeniable right and responsibility to protect legitimate British interests in Iran. They are unable therefore to accept the contention of the Imperial Government's note of 8th April that relations between them and the Anglo-Iranian Oil Company do not concern His Majesty's Government.

2. The two Governments are confronted with the following situation:—

- (a) The Iranian legislature has voted in favour of the principle of nationalisation of Iranian oil industry;
- (b) On the other hand A.I.O.C. are operating by virtue of a duly ratified concession agreement the terms of which preclude its cancellation by governmental action;
- (c) The Iranian oil industry is of vital importance to the Imperial Government not only as a main source of revenue but also as providing funds for essential economic development. It is also of great importance in the economy of the United Kingdom and the free world generally;
- (d) Unless therefore mutually acceptable arrangements can be made whereby A.I.O.C.'s operations continue, there would be a long and serious dislocation in the extraction, processing and marketing of Iranian oil, which would have most grave results to all concerned.

3. His Majesty's Government have on numerous occasions publicly declared and given tangible evidence of their interest in the independence and well-being of Iran, and they believe that their feelings in this regard are recognised by vast masses of the Iranian people. They are convinced therefore that the Imperial Government would not wish the operation of the oil industry to become a serious issue between them, thus creating a situation from which only the enemies of both countries could profit. They believe on the contrary that it should be possible to turn the situation to advantage by establishing a new relationship and association under which the development of Iran's oil resources could be assured, to the mutual benefit of the two peoples.

4. Moreover, His Majesty's Government are sympathetically disposed towards the natural desire of the Iranian people to play a more direct part than heretofore in this important field of their national activity and will, wherever appropriate, lend their active support in measures to this end. They have accordingly been considering by what means it may be possible to harmonise this desire on the part of the Iranian people with the legitimate rights of the Company and the interests of the United Kingdom. They have in mind that, at the expiry of the Company's agreement in 1933, unless some other arrangements were meanwhile reached by mutual consent, the total assets of the Company in Iran pass, without payment, to the Imperial Government, which is of course already the owner of the oil underground. Should the Imperial Government claim to take over the Company's assets before 1933, they would legally be liable to pay compensation on those assets, which are of immense value. This and the loss of revenue which dislocation of the Iranian oil industry would entail, would not only drastically limit the possibility of economic development but would indeed impose a crushing burden on Iran's economy. Moreover, it will, under the terms of the existing agreement, fall to the Imperial Government to take over the operation of the Company in

Iran in 1993, unless there is a new agreement. It is therefore clearly desirable that a plan should be evolved which would enable them to do so successfully by then. His Majesty's Government for their part will be very ready to co-operate in the preparation and execution of such a plan.

5. The details of the lines on which the suggested new relationship could be established must form the object of an agreement between the Imperial Government and the Company, and His Majesty's Government would not wish at this stage to do more than suggest the lines which in their view such an agreement might take. These are as follows:—

- (a) The A.I.O.C.'s concession and its assets in Iran except those referred to in (b) below, should be transferred to a new United Kingdom registered company (which might be entitled "The Southern Iranian Oil Company") on the board of which the Imperial Government would be adequately represented and the profits of which would be shared equally between the Company and the Imperial Government.
- (b) The distribution of oil in Iran should be transferred on terms to be agreed to an Iranian national company which would be given full responsibility for this operation, and would receive the fullest co-operation from the A.I.O.C.
- (c) The agreement should provide for the implementation of the common desire to accelerate "Iranianisation" of the new Company's operations in order to facilitate the progressive replacement of non-Iranian employees by qualified Iranians.

6. His Majesty's Government hope that the Imperial Government will be prepared to open negotiations on the general lines outlined above. In order, however, to make clear the basis on which these negotiations are being conducted and in view of the communications which have already passed between them and the Iranian Government on the subject they would propose that an exchange of notes should take place between them forthwith which would include the following points:—

- (a) A statement of mutual goodwill and desire for fruitful co-operation.
- (b) A recognition by His Majesty's Government of desire of the Imperial Government to assume in due time full control over Iran's oil resources.
- (c) A consequent desire on the part of His Majesty's Government to see the Imperial Government, by adaptation through mutual consent of the Company's existing agreement, taking an increasing part in the Company's operations in Iran and obtaining an increased share of the benefits derived therefrom.
- (d) An understanding by the two Governments to consult together on all matters of importance or points of difficulty which may arise under the operation of the new agreement in order to ensure the preservation of relations of mutual confidence and co-operation which both desire.

[No. 10]

Oil Nationalisation Law of 1st May, 1951

By the grace of Almighty God

Pahlavi Shahinshah of Persia

hereby command, by virtue of article 27 of the Supplementary Constitutional Law that:

ARTICLE 1. The bill concerning the procedure for enforcement of the law concerning the nationalisation of the oil industry throughout the country

which was approved by the Senate and the Majlis on 9th Urdibihisht (30th April) and is hereto attached may be enforced.

ARTICLE 2. The Council of Ministers are charged with the enforcement of this law.

The text of the bill concerning procedure for enforcement of the decision relating to the nationalisation of oil, as approved by the two Houses of Parliament after amendments by the Majlis.

ARTICLE 1. With a view to arranging the enforcement of the law of 24th and 29th Esfand, 1329 (15th and 20th March, 1951), concerning the nationalisation of the oil industry throughout Persia, a mixed board composed of five Senators and five Deputies elected by either of the two Houses and of the Minister of Finance or his Deputy shall be formed.

ARTICLE 2. The Government is bound to dispossess at once the former Anglo-Iranian Oil Company under the supervision of the mixed board. If the Company refuses to hand over at once on the grounds of existing claims on the Government, the Government can, by mutual agreement, deposit in the Bank Milli Iran or in any other bank up to 25 per cent. of current revenue from the oil after deduction of exploitation expenses in order to meet the probable claims of the Company.

ARTICLE 3. The Government is bound to examine the rightful claims of the Government as well as the rightful claims of the Company under the supervision of the mixed board and to submit its suggestions to the two Houses of Parliament in order that the same may be implemented after approval by the two Houses.

ARTICLE 4. Inasmuch as the nationalisation of the oil industry was also approved by the Senate on 29th Esfand (20th March, 1951) and inasmuch as all income from oil and oil products are the established property of the Persian nation the Government is bound to audit the Company's accounts under the supervision of the mixed board which must also closely supervise exploitation as from the date of the implementation of this law until the appointment of an executive body.

ARTICLE 5. The mixed board must draw up, as soon as possible, the statute of the National Oil Company in which provision is to be made for the setting up of an executive body and a supervisory body of experts, and must submit the same to the two Houses for approval.

ARTICLE 6. For the gradual replacement of foreign experts by Persian experts the mixed board is bound to draw up regulations for sending, after competitive examinations, a number of students each year to foreign countries to undertake study in the various branches of required knowledge and gain experience in oil industries, the said regulations to be carried out by the Ministry of Education after the approval of the Council of Ministers. The expenses connected with the study of such students shall be met out of oil revenues.

ARTICLE 7. All purchasers of products derived from the wells taken back from the former Anglo-Iranian Oil Company can in future buy annually the same quantity of oil they used to buy annually from the Company from the beginning of the Christian year 1948 up to 29th Esfand, 1329 (20th March, 1951), at a reasonable international price. For any surplus quantity they shall have priority in the event of equal terms of purchase being offered.

ARTICLE 8. All proposals formulated by the mixed board for the approval of the Majlis and submission to the Majlis must be sent to the Oil Commission.

ARTICLE 9. The mixed board must finish its work within three months as from the date of approval of this law and must submit the report of its activities to the Majlis in accordance with Article 8. In the event of requiring an extension it must apply, giving valid reasons, for such extension. Whilst, however, the extension is before the two Houses for approval the mixed board can continue its functions.

[No. 11]

Letter from the Chief Representative of the Anglo-Iranian Oil Company to the Persian Prime Minister, dated 27th April, 1951 (handed to the latter on 28th April, 1951)

His Excellency the Prime Minister, Tehran,

I have the honour to inform your Excellency that I have received telegraphic instructions from Sir William Fraser, the Chairman of the Board of Directors of the Company, to bring immediately to your Excellency's attention the following communication from him:—

The press of to-day contains a statement that the Oil Commission has passed a resolution for submission to the Majlis proposing to take over immediately all the activities in Persia of the Anglo-Iranian Oil Company.

If that information is correct, we beg to ask you to convey to the Cabinet and to the Majlis that this Company formally protests against the possibility of such a breach of the Agreement between the Imperial Government and the Company.

The Agreement, as you well know, provides in its Article 21 that its performance should be based on principles of mutual good will and good faith and that it should not be annulled, and that the terms of it should not be altered by any legislative, administrative, or executive acts.

Relying on that solemn promise, which was approved by the Majlis, and which became a part of the law of Iran, this Company has worked for eighteen years to develop the oil industry in Iran and has assisted the people of Iran in their economic progress. We cannot believe that that solemn promise can be disregarded.

While formally protesting against attempts unilaterally to alter the conditions of its operations in Iran, the Company begs to remind your Excellency that at no time has the Company refused, nor do they refuse now, to consider alteration of those conditions by agreement to be negotiated, concluded and performed on the principles of mutual good will and good faith, which principles the Imperial Government and the Company made the basis of their co-operation.

With the assurance of our highest esteem,

For Anglo-Iranian Oil Company, Limited,

E. G. D. NORTHCROFT.

[No. 12]

Text of a telegram dated 2nd May, 1951, from the Secretary of State for Foreign Affairs to His Majesty's Ambassador at Tehran, reporting an interview with the Persian Ambassador on that date

I sent for the Persian Ambassador to-day. After referring to the long history of friendly relations between our two countries, I said I took a very serious view of the present situation, and of the Persian Government's attempts

to nationalise the Anglo-Iranian Oil Company's industry in Persia. The subject of nationalisation had been handled in Persia in a very irresponsible fashion and no well-thought out scheme had been produced. The Company had rights under the 1933 Concession, which was valid until 1993. Those rights could not be unilaterally cancelled. His Majesty's Government, and indeed the democratic free world were interested in the outcome of the present situation.

2. His Majesty's Government were willing to enter into negotiations with the Persian Government in order to learn in detail what the Persian Government wanted to do, and to see whether we could arrive at a friendly settlement consistent with the prosperity of Persia and the rights of the Company.

3. Meantime it was very important that the Persian Government should not take unilateral action. I asked the Ambassador to convey a message to his Prime Minister, asking him to suspend action to allow for discussion and assuring him that His Majesty's Government wished to arrive at a fair and sensible settlement. Precipitate action by the Persian Government would seriously affect the social and economic well-being of the Persian people, and might lead to an unhappy and most difficult situation between our two countries, which have been and ought to remain good friends.

4. I then referred the Ambassador to my statement in the House yesterday. It and my interview with him were temperate in tone, because the question ought to be considered temperately here and in Tehran. But the Persian Government should not because of that minimise the feeling of His Majesty's Government on this question. We could not accept unilateral action which would have the effect of upsetting the Agreement of 1933, particularly since that Agreement by its own terms ruled out such action, and provided for arbitration. I concluded by saying that we would much prefer that His Majesty's Government and the Persian Government should seek a solution in friendly conversations round a table.

5. The Ambassador undertook to transmit my message immediately and to inform me of the reply. He expressed appreciation of the friendly attitude which I had shown on this question. The principle of nationalisation had been passed by both Houses of the Majlis and the Persian Government was therefore faced with a *fait accompli*. Did His Majesty's Government recognise this? I replied that we did not. His Majesty's Government had nationalised a number of industries, but always after proper discussion with all the interested parties. I had never heard of an act of nationalisation based on little more than a resolution hurriedly passed by a Parliament, except in Communist countries. If Persia took over the Anglo-Iranian Oil Company's assets arbitrarily, she would have no reply to the Russians if they later attempted to take over Persian assets without agreement.

[No. 13]

Aide-Mémoire handed to the Secretary of State for Foreign Affairs by the Persian Ambassador on 8th May, 1951

Message from the Persian Prime Minister

I have received your Excellency's message through the intermediary of the Iranian Ambassador in London.

I, also, for my part, have the utmost interest in maintaining the good relations and the strengthening of the foundations of friendship with Great Britain, and I consider it necessary that certain misunderstandings should be completely cleared.

The former Anglo-Iranian Oil Company's conduct and activities constituted one of the causes of the misunderstandings which gave rise to the dissatisfaction of the Iranian nation, and not infrequently, to the belief that British officials were involved. It is certain that following the execution of the law of implementation of the nationalisation of oil industry throughout the country, the causes of dissatisfaction will disappear. The strengthening and consolidation of Iran's friendship with Great Britain are not only to the good and interest of both the countries but also to the good and welfare of all democratic states and peace of the world.

The object of the nationalisation of the oil industry is fully evident. The Iranian nation wishes to exercise its sovereign rights and to undertake the exploitation of its own oil resources; it has no other object in mind other than the implementation of the law of nationalisation of the oil industry. Under articles 2 and 3 of this Law (a copy of which is attached)⁽⁷⁾ the Iranian Government is ready to consider the claims of the former Oil Company—an act which in no way bears comparison with the Communist way of conducting affairs, as referred to by your Excellency.

Likewise, in accordance with Article 7 of this Law, the Iranian Government is prepared to sell petroleum to its former buyers at fair international rates.

It is the sovereign right of every nation to nationalise its industries. Assuming that agreements or concessions have been concluded with persons or private companies in respect of these industries and assuming that from a juridical aspect these agreements and concessions are considered to be valid, the fact remains that they cannot form a barrier against the exercising of national sovereign rights nor is any international office competent to consider such cases.

By exercising its sovereign rights, the Imperial Iranian Government wishes to strengthen the economic structure of the country through its oil revenues and to provide for the general welfare of its people and to put an end to general poverty and dissatisfaction. This measure will bring about the prosperity and tranquillity of Iran and will prevent any disorder and disturbance.

With regard to the principal issue, in accordance with the law of implementation of nationalisation of the oil industry throughout the country, a mixed board is to be set up by the Senate and Majlis from among their members, and as soon as this board has been formed, which will be a matter of a few days, the former Oil Company will be invited for arranging matters and implementation of the law.

[No. 14]

Letter from the Chief Representative of the Anglo-Iranian Oil Company to the Persian Prime Minister, dated 8th May, 1951

Your Excellency,

I am instructed by Sir William Fraser, Chairman of the Anglo-Iranian Oil Company Limited, to submit to you the following notification on his behalf:—

“Your Excellency,

The measures recently introduced in respect of the Oil industry in Iran clearly have the object of either bringing the Concession held by the Anglo-Iranian Oil Company Limited, to an end, or annulling it before the date

(7) The text of the Oil Nationalisation Law is at No. 10.

provided therein for its termination, by a unilateral act of the Imperial Iranian Government in breach of Articles 26 and 21 of the Concession Agreement or unilaterally altering the terms therein contained in breach of Articles 21 and 1 of that Agreement.

Therefore I on behalf of the Company and in accordance with the rights reserved to it by Articles 22 and 26 of the Concession Agreement beg to notify the Government that the Company requests arbitration for the purpose of determining whether in so attempting to annul, or terminate the Concession or to alter the Concession Agreement the Government has acted in accordance with the terms of the Concession Agreement and for the purpose of establishing the responsibility for and determining the consequences of the breach above referred to.

I further beg to state that the Company has appointed the Right Honourable Lord Radcliffe, G.B.E. as its arbitrator and that he has given his consent to act.

Finally, the Company, in view of the gravity of the situation brought about by the measures above referred to, expresses the hope that the Government will appoint its arbitrator at the Government's earliest convenience."

I shall be glad if your Excellency will kindly acknowledge receipt of the above notification from Sir William Fraser.

With the assurance of our highest esteem,

For Anglo-Iranian Oil Company, Limited,

N. R. SEDDON.

[No. 15]

Aide-Mémoire containing a Message from the Secretary of State for Foreign Affairs to the Persian Prime Minister, dated 19th May, 1951

I have received through His Imperial Majesty's Ambassador in London your reply to the message which I sent to you through him on 2nd May. I regret to find that it contains no response to the suggestion which I made, and which I have since reaffirmed publicly, that His Majesty's Government in the United Kingdom wish to see the question of the future operations of the Anglo-Iranian Oil Company in Iran settled by negotiation. Instead it appears to assert that the Imperial Government of Iran has a right to proceed by unilateral action to the dispossession of the Anglo-Iranian Oil Company.

2. His Majesty's Government fully understand and sympathise with the desire of the Iranian Government to strengthen the economic structure of their country and to provide for the general welfare of its people. They themselves have constantly shown in practical ways that these objects are of deep concern to them. They find it difficult to believe, however, that the unilateral action which the Iranian Government are proposing to take will contribute towards their fulfilment.

3. His Majesty's Government moreover neither desire nor intend to question the exercise by Iran of any sovereign rights which she may legitimately exercise. They maintain, however, that the action now proposed against the Company is not a legitimate exercise of those rights. The 1933 Agreement is a contract between the Iranian Government and a foreign

company, concluded under the auspices of the League of Nations after an attempt by the Iranian Government to deprive the Company of its rights under its previous concession had been brought by His Majesty's Government before the League of Nations. It was moreover ratified by the Majlis and became Iranian law. Further, the agreement contained two very important provisions:

- (a) that the position of the Company under its agreement should never be altered by the action of the Iranian Government or even by Iranian legislation (Article 21) except as a result of an agreement between the Iranian Government and the Company;
- (b) that if the Iranian Government had any complaints against the Company, or *vice versa*, and the dispute could not be settled otherwise, it was to be referred to arbitration (Article 22), the arbitral tribunal being presided over by an umpire appointed by the arbitrators themselves or, in default of their agreement, by the President of the International Court of Justice at The Hague.

4. The essential point is not the right of a sovereign Power by its legislation to nationalise commercial enterprises carried on within its borders nor what measure of compensation it should pay for doing so. The Iranian Government in effect undertook not to exercise this right and the difference at issue is therefore the wrong done if a sovereign State breaks a contract which it has deliberately made.

5. If as your Excellency claims the Iranian Government had grievances against the Company, their remedy, as I have shown above, was to seek arbitration. That course has not been adopted. Instead, the Iranian Parliament have enacted a law which envisages a fundamental change in the status of the Company. The Company therefore had no alternative but to make known to the Iranian Government its wish to take the whole matter to arbitration.

6. The Anglo-Iranian Oil Company is a British company registered in the United Kingdom; moreover His Majesty's Government own a majority of shares in the Company. It is clear therefore that His Majesty's Government have the fullest right to protect its interests in every way they properly can. The Company has had its valuable rights established under the agreement injuriously affected by an Iranian enactment when Article 21 provided that this should not be so. The Company has appealed to the only remedy which is open to it, namely, arbitration under Article 22. If that remedy should be rendered illusory by the Iranian Government, then the question must become an issue between the two Governments. His Majesty's Government would have an unanswerable right under international law to take up the case, and, if they deemed it expedient, to bring their complaint against the Iranian Government before the International Court of Justice at The Hague. In that contingency they would hope that the Iranian Government would collaborate in enabling the Court to give a decision as quickly as possible.

7. On the other hand, His Majesty's Government still hope that the problem can be solved by negotiation to the satisfaction of all concerned. The interests of His Majesty's Government and the Anglo-Iranian Oil Company in this matter are identical, and I take this opportunity to reaffirm that His Majesty's Government are prepared to send a mission forthwith to Tehran to discuss the terms of a further agreement. I earnestly trust that your Excellency will be prepared to agree to this procedure and to conduct negotiations with a mission on a fair and equitable basis.

8. In conclusion, I note that your Excellency has reciprocated the desire which I have already expressed to you of maintaining good relations and strengthening the foundations of friendship between Iran and the United Kingdom. I should, however, be less than frank if I did not say that a refusal on the part of the Imperial Government to negotiate, or any attempt on their part to proceed by unilateral action to the implementation of recent legislation, could not fail gravely to impair those friendly relations which we both wish to exist, and to have the most serious consequences.

[No. 16]

Letter from the Persian Minister of Finance to the Chief Representative of the Anglo-Iranian Oil Company, dated 20th May, 1951

Mr. Seddon, Representative of the former Anglo-Iranian Oil Company.

His Excellency the Prime Minister has instructed me to convey the following reply to your letter dated 8th May, 1951,⁽⁸⁾ addressed to him:—

In accordance with Acts of 15th and 20th March, 1951 and 30th April, 1951, copies of which are enclosed herewith,⁽⁹⁾ the Petroleum Industry throughout Iran has been nationalised, and the Imperial Government is required to undertake itself the exploration for, and production, refining and exploitation of Petroleum resources.

It perhaps needs no explanation that:—

Firstly the nationalisation of industries derives from the right of sovereignty of Nations, and other Governments, among them the British Government and the Mexican Government, have in various instances availed themselves of this same right.

Secondly private agreements even supposing their validity is established cannot hinder the exercise of this right which is founded on the indisputable principles of International Law.

Thirdly the fact of nationalisation of the Petroleum industry, which derives from the exercise of the right of sovereignty of the Iranian Nation is not referable to arbitration, and no international authority has the competence to deal with this matter.

In view of these premises the Iranian Government has no duty in the existing circumstances other than implementing the articles of the above-mentioned Acts and does not agree in any way with the contents of the letter of the former Oil Company on the subject of reference of the matter to arbitration.

You are meanwhile notified that in accordance with Articles 2 and 3 of the Act of April 1951 the Iranian Government is prepared to examine the just claims of the former Oil Company.

In conclusion, the former Oil Company is hereby invited to nominate immediately its representatives with a view to making arrangements concerning the matter and carrying out the above-mentioned Law so that the day, hour and place of their attendance should be notified.

MOHAMMED ALI VARASTEH,
Minister of Finance.

⁽⁸⁾ No. 14.

⁽⁹⁾ Following were annexed to the above letter:—

(a) Text of Nationalisation single Article (No. 7).

(b) Text of implementation of Law (No. 10).

(c) Text of two relevant Royal Firmans. (not printed)

Letter from the Persian Minister of Finance to the Chief Representative of the Anglo-Iranian Oil Company, dated 24th May, 1951

Mr. Seddon, Representative of the former Anglo-Iranian Oil Company.

With reference to our letter 9582 of 20th May, since you have not so far nominated your representatives for making arrangements to execute the law for the nationalisation of oil, I have to state:—

I am waiting every day in the Finance Ministry for your representatives.

Should you fail to nominate and send your representatives within one week, that is before the close of 30th May, which is Wednesday, the Government will have no choice but to act according to its legal duties as prescribed in the laws of 15th and 20th March, and that of 30th April, 1951.

MOHAMMED ALI VARASTEH,

Minister of Finance.

Letter from the Chairman of Anglo-Iranian Oil Company to the Persian Minister of Finance, dated 27th May, 1951

Your Excellency,

I am instructed by Sir William Fraser, Chairman of the Anglo-Iranian Oil Company Limited, to submit to you the following notification on his behalf:—

“ Your Excellency,

The Anglo-Iranian Oil Company Limited has the honour to acknowledge the receipt of your Excellency's letter of 20th May, 1951,⁽¹⁰⁾ and of your Excellency's further letter of 24th May, 1951.⁽¹¹⁾ In the letter of 20th May your Excellency, after stating that the Iranian Government has no duty in the existing circumstances other than that of implementing the provisions of the Iranian Acts of 15th March, 20th March and 30th April with regard to the nationalisation of the oil industry, goes on to state that the Iranian Government does not agree in any way with the letter of the Company on the subject of referring the dispute to arbitration. Your Excellency's letter then invited the Company to nominate immediately representatives to attend meetings for the purpose of making arrangements for putting into effect the Iranian Acts relating to the nationalisation of the oil industry. In the further letter of 24th May your Excellency notified the Company that if it failed to nominate and send representatives within one week, that is before the close of 30th May, the Government would have no choice but to act in accordance with its legal duties as prescribed by the Iranian Oil Nationalisation Acts.

Your Excellency's letters have been referred to the Company in London. I have the honour to remind your Excellency that the Company contends that the action proposed by the Iranian Government is a breach of the Company's concession, and further to record that the Company has at all times expressed its willingness to discuss and seek to solve by agreement with the Imperial Government all outstanding questions. The Company

⁽¹⁰⁾ No. 16.

⁽¹¹⁾ No. 17.

notes with regret the statement of the Iranian Government's view that the dispute between the Company and the Imperial Government is not referable to arbitration. The Company, which cannot accept this view, is accordingly making to the President of the International Court of Justice at The Hague the necessary application for the appointment of a sole arbitrator in accordance with paragraph (D) of Article 22 of the Concession Agreement. As regards the invitation of the Government to send representatives to discuss the execution of the Acts for the nationalisation of the Oil Industry, I have the honour to inform you that the Representative of the Company, Mr. Seddon, will attend a meeting as a measure of respect to the Imperial Government and the Iranian Parliament. On the other hand, having regard to the purpose of the discussions, I must state that the representative of the Company will only be in a position to listen to what is said to him and to report the substance to the Company in London.

W. FRASER."

I shall be glad if your Excellency will kindly acknowledge receipt of the above notification from Sir William Fraser.

With the assurance of our highest esteem,

For Anglo-Iranian Oil Company, Limited,

N. R. SEDDON.

[No. 19]

Note from His Majesty's Ambassador at Tehran to the Persian Minister for Foreign Affairs, dated 27th May, 1951

Monsieur le Ministre,

I have the honour to inform you that I have been instructed by my Government to make the following communication to your Excellency.

2. His Majesty's Government in the United Kingdom have noted with regret that no reply has yet been vouchsafed by the Imperial Government to the Aide-Mémoire which I left with your Excellency on 19th May. Instead, His Excellency the Imperial Minister of Finance has addressed a letter dated 20th May,⁽¹²⁾ to the Manager of the Anglo-Iranian Oil Company in Tehran. In this letter he rejects the Company's request for arbitration under Article 22 of its Concession and invites the Company to appoint representatives who are to meet the Mixed Oil Commission and arrange with them for the execution of the laws for the nationalisation of the petroleum industry in Iran. Furthermore the Minister of Finance on 24th May addressed a further letter to the Company's Tehran Manager⁽¹³⁾ in terms which appear to amount to an ultimatum allowing the Anglo-Iranian Oil Company until 30th May to appoint its representatives and notifying it that, in default of this, the Imperial Government will proceed by unilateral action to the implementation of the laws in question.

3. His Majesty's Government have, therefore, to their great regret felt themselves obliged to take the action foreshadowed in Mr. Morrison's message of 19th May⁽¹⁴⁾ and to institute proceedings against the Imperial Government in the Court of International Justice at The Hague. In these proceedings they will ask the Court to decide that the Imperial Government are under a

⁽¹²⁾ No. 16.

⁽¹³⁾ No. 17.

⁽¹⁴⁾ No. 15.

legal obligation, by reason of their dispute with the Anglo-Iranian Oil Company to arbitrate, and additionally or alternatively to decide that the Imperial Government are not entitled to alter the Concession, even by legislation, except by agreement with the Company (or in certain other contingencies which are not relevant to the present case and for which the Concession itself provides). The Imperial Government will receive from The Hague Court in due course a copy of the application which His Majesty's Government filed with the Court on Saturday, 26th May.

4. In informing your Excellency of the step now taken, I am instructed to emphasise that, as His Majesty's Government have consistently indicated, they would prefer to settle the dispute by negotiation. They would add that, should the Imperial Government indicate its willingness to negotiate and should negotiations prove successful, the proceedings in the International Court of Justice could be arrested before judgment was given.

I avail, &c.

F. M. SHEPHERD.

[No. 20]

**Aide-mémoire from the Persian Minister of Finance to the A.I.O.C.
Representative in Tehran, dated 30th May, 1951**

Mr. Representative of the former Anglo-Iranian Oil Company.

As you are aware an Act was passed by the two Houses on 20th March whereby the oil industry was nationalised throughout the country of Iran. Then later another Act was passed on 30th April whereby the Government was charged with the execution of the Act of 20th March under the supervision of the Mixed Committee selected by the two Houses.

The law concerning the nationalisation of oil derives from the right of sovereignty of the Iranian nation in choosing and determining the method of utilisation of national industries, and in enforcing this law the Iranian Government has no objective other than ensuring the welfare and comfort of the nation, and does not in any manner intend to infringe anyone's rights thereby. Accordingly full regard has been had in the said laws to the protection of the rights of all concerned. *Inter alia*, necessary consideration and attention have been devoted to two fundamental matters.

One of these is that the nationalisation of the oil industry shall not in any way cause damage to previous purchasers and consumers. In order to ensure this object, Article 7 of the Act, quoted hereunder

“All purchasers of the products of the mines of which the late Anglo-Iranian Oil Company has been dispossessed can hereafter continue to buy each year at a fair international rate the same amount of oil which they bought from the said Company annually from the beginning of the Christian year 1948 to 29th Esfand, 1329 (20th March, 1951). As regards quantities in excess, conditions of purchase, being equal, they shall have priority.”

explicitly recognises the rights of previous oil customers and undertakes to safeguard them.

The other is that, if it is proved that the nationalisation of oil has caused a damage to the former Company, the Iranian Government has accepted to make compensation for that damage, and has expressed its willingness, in order to compensate such probable damage, to deposit up to 25 per cent. of the net oil revenues with a Bank mutually agreed upon as a guarantee (Article 2 of the Act of 30th April).

In view of these premises it will be appreciated that the Iranian Government has absolutely not intended, and does not intend, to requisition the properties of the former Oil Company, nor does it propose to hinder the sale of oil to former customers. After this preface which was brought to your notice for clarification, I now proceed to inform you of the regulations which the Iranian Government has prepared, under the supervision of the Mixed Committee, for the execution of the law of nationalisation of oil.

REGULATIONS

1. In order to enforce Article 2 of the Act for the implementation of the nationalisation of the oil industry and with a view to the temporary administration of the National Oil Company of Iran, a committee composed of three persons, called the temporary Board of Directors, will be nominated by the Government to function under the supervision of the Mixed Committee.

2. The said Committee shall have all the necessary powers for managing the Company's affairs covering exploration, production, refining, distribution, sale and exploitation.

3. Pending the approval of the constitution of the National Oil Company of Iran, the basis of operations of the temporary Board of Directors shall be the rules of the former Oil Company (except where these may be at variance with the law concerning the nationalisation of the oil industry).

4. The specialists, employees and workmen of the former Oil Company, Iranian as well as foreign, shall continue in employment as before and shall be regarded *from this date* as employees of the National Oil Company of Iran.

5. The temporary Board of Directors shall exercise the greatest care and endeavour in carrying out existing schemes and increasing oil production so that the rate of production and exploitation shall increase above the present rate.

6. With a view to the fixation of the international reasonable price, and in order meanwhile to prevent any stoppage and restrictions in exports, the temporary Board of Directors will, immediately on arrival in Khuzistan, issue a notice in Iran and abroad to the effect that former purchasers may for one month obtain supplies under the existing plans, against receipt. Within this period, purchasers must apply to the office of the temporary Board of Directors in order to make arrangements for payment of the price of oil supplies received during that period, and to secure the concurrence of the Board of Directors with regard to benefiting from the rights prescribed in Article 7 of the Act of 30th April, 1951, and arranging purchase and sale of oil in the future. The temporary Board of Directors will propose the principles of agreement with purchasers to the Mixed Committee for approval.

In conclusion I have to mention two points:—

1. The Regulations of which you have just been informed are general instructions for the implementation of the law of nationalisation of oil which have for the time being come to mind. Since the Government is anxious that this important national problem should reach finality with utmost correctness and soundness, and that benefit should be taken of the experience and knowledge of the former Oil Company, if any proposals are made by you which do not conflict with the principle of nationalisation of oil, the Government will take them into consideration.

2. It is expected that the former Oil Company will submit to me such proposals which it has to make within the limits of the said laws within a period of five days, so that they may be studied and utilised. Since in accordance with law the Government is bound to enforce the oil nationalisation law immediately, and since delay in so doing would entail responsibility, if you have any proposals they should be submitted within the said period.

[No. 21]

Aide-mémoire from the Anglo-Iranian Oil Company's Representative in Tehran to the Persian Minister of Finance, dated 3rd June, 1951

The Anglo-Iranian Oil Company Limited has instructed me to reply in the following terms to the aide-mémoire which your Excellency handed me on the evening of 30th May, 1951.

Your Excellency's note has been carefully studied. The Company and, I am authorised to add, His Majesty's Government (as the Foreign Secretary made clear in his statement in the House of Commons on 29th May) are entirely ready, as indeed they have from the outset been ready, to attempt to solve all such difficulties by negotiation. It is therefore with pleasure that the Company has noted the concluding two points of your Excellency's aide-mémoire.

The first was that the Imperial Government are anxious to have the benefit of the Company's experience and knowledge.

The second was, in effect, an invitation to the Company to put forward proposals for the Imperial Government's consideration. It is not possible to formulate proposals on a matter of such complexity within five days, and in any event the Company believes that discussions face to face will be preferable to written communications. Accordingly the Company, while reserving its legal rights, will send representatives from London to Tehran as soon as possible in order to hold full and frank discussions with the Imperial Government.

For Anglo-Iranian Oil Company, Limited,

N. R. SEDDON.

Aide-mémoire handed by the Anglo-Iranian Oil Company delegation to the Persian delegation on 19th June, 1951

In the aide-mémoire which his Excellency the Minister of Finance handed to the Company's Chief representative in Tehran at the end of last month, it was indicated to us that the Imperial Iranian Government was anxious to benefit from the experience and knowledge of the Company, and was prepared to take into consideration any proposal made by the Company, provided that they were not at variance with the principles of the nationalisation of oil.

We wish to make at once a constructive interim proposal as an earnest of our desire to reach as soon as possible a workable arrangement by which the Government may be able to make use of the Company's experience. Accordingly the delegation has authority from the Company to place at the Government's disposal the sum of £10 million as an advance against any sum which may become due to the Government as a result of an eventual agreement between the Government and the Company, on the understanding that the Government undertakes not to interfere with the Company's operations while discussions are proceeding.

We further offer to pay to the Government the sum of £3 million a month from July onwards during the period which may ensue before an arrangement is reached.

I said at our previous meeting that we were most ready, whilst fully reserving all our rights, to try to work out with you a satisfactory arrangement which would maintain the efficiency of the industry and would be consistent with the principles of nationalisation. We have it in mind that a scheme on the following lines might form a possible basis for an arrangement:—

The Persian assets of the Company would be vested in a Persian National Oil Company and in consideration of such vesting the National Oil Company would grant the use of the assets to a new Company to be established by the Anglo-Iranian Oil Company Limited. The new Company would have a number of Persian directors on its board and would operate on behalf of the Persian National Oil Company. The distribution business in Persia would be transferred to an entirely Persian owned and operated Company on favourable terms as regards the transfer of existing assets.

The above is an outline only of a possible framework. We put it forward as a constructive effort to suggest a basis for discussion.

We have given the fullest consideration to the points made by his Excellency the Minister of Finance at our meeting on 14th June. If we were correct in understanding that his Excellency's suggestion was that as from 20th March the Company should hand over to the Government the total proceeds (less expenses) from sales of Persian oil, from which 25 per cent. would be deposited in a mutually agreed Bank against any probable claims of the Company, we are unable to accept such a suggestion. The delegation has come out for discussions and regards it as unjustifiable that the Persian Government should put forward a demand of this kind before discussions have even started. We are, moreover, confident that when in our future talks we have been able to explain to you in more detail the machinery of our business you will come to agree with us that such a demand would be neither commercially possible nor acceptable to any oil company.

Note from His Majesty's Ambassador at Tehran to the Persian Minister for Foreign Affairs, dated 30th June, 1951

Monsieur le Ministre,

I have the honour to inform you that I am instructed to convey to your Excellency the following message for his Excellency the Prime Minister from Mr. Herbert Morrison, His Majesty's Principal Secretary of State for Foreign Affairs.

"His Majesty's Government have noted with regret that the Imperial Government have not only not replied to the aide-mémoire addressed to the Prime Minister of Iran on 19th May by His Majesty's Ambassador at Tehran, but in the meantime have not seen fit to respond to the offers repeatedly made both by the Anglo-Iranian Oil Company and by His Majesty's Government to enter into negotiations with the Imperial Government with a view to a just and reasonable settlement of the question of the future relations between the Company and the Imperial Government.

Furthermore, while the Imperial Minister of Finance in a letter of 30th April to the Company's representative in Tehran expressed the desire of his Government to avail themselves of the experience and technical knowledge of the Anglo-Iranian Oil Company, the Imperial Government took no advantage whatsoever of the presence of the Delegation which the Company recently sent out for discussions. Moreover the recent actions of the Iranian authorities have constituted serious interference in the normal workings of the Company's operations. The Company's offices in Tehran have been occupied by the Iranian authorities, the Company's manager at Kermanshah has been forcibly restrained from carrying out his functions, and in Khuzistan interference of all kinds with the Company's operations has been made and is continuing. Incitements have been addressed to the Company's staff to transfer their allegiance to the National Iranian Oil Company, inflammatory and provocative speeches have been made by members of the Persian Government delegation in the oil areas and a campaign of misrepresentation against the Company has been undertaken by Tehran radio and through the Press.

The Iranian authorities in Abadan have refused to allow tankers calling at that port to load and export oil unless they sign receipts implying that this oil was the property of the National Iranian Oil Company. When the Company's General Manager, Mr. Drake, instructed British Tanker Company tanker masters, when signing the same receipts, to add an endorsement reserving the legal rights of the Company over the oil in question, he was informed in a letter dated 23rd June from the Temporary Board of National Iranian Oil Company that these actions on his part amounted to 'sabotage.' His Majesty's Government have observed that under the terms of a so-called anti-sabotage Bill which has now been introduced into the Majlis, persons accused of sabotage would be liable to trial before a military court and to penalties up to and including death. Your Excellency will have noted that in the statement which I made in the House of Commons on 26th June, a copy of which has been communicated to you, I rejected in advance in the name of His Majesty's Government any suggestion that accidents resulting from interference in the work of the Company's operations could be ascribed to 'sabotage.' His Majesty's Government, as your Excellency is aware, has made application to the International Court of Justice in regard to the action of the Imperial Government in attempting to enforce against the Anglo-Iranian

Oil Company in breach of the latter's 1933 Concession Agreement the implementation of the Iranian Nationalisation Laws. Until this case has been heard the matter must be regarded as being *sub judice*. In the view of His Majesty's Government, the crude oil and refined products produced by the Anglo-Iranian Oil Company are the property of that Company. They cannot therefore admit that masters of tankers in which this oil is exported should be forced to sign a receipt the purport of which is to acknowledge a different ownership of the oil. Since Iranian authorities were apparently unwilling to agree that any endorsement should be added to such receipts reserving the Company's legal rights in this respect, it has been necessary to withdraw from Abadan all tankers already there and to advise other tankers not to proceed thither unless and until the attitude of the Iranian authorities is modified.

Since storage capacity at Abadan is limited this must mean that the Abadan refinery will have to close down as soon as existing storage capacity for refined products is full, and the flow of crude oil from the oilfields will soon have to cease. The British personnel in the oilfields will accordingly be temporarily withdrawn therefrom into Abadan as and when their presence in the fields is no longer required.

His Majesty's Government wish to place on record that the responsibility for withdrawal of tankers and progressive closing down of the Company's installations with consequent loss of revenue to Iran and large-scale unemployment amongst Iranian workers, results solely from the present attitude of the Imperial Government which has not only refused repeated offers to negotiate but has persisted in pursuing, without proper study or previous consultations, a course of action which must have the gravest consequences. They find it difficult to believe that the Imperial Government, even at this late hour, will not recognise the unwisdom of their intransigence.

Finally I must once more remind your Excellency that the Imperial Government are responsible under International Law for the protection of all British subjects in Iran. Should they fail in this respect, they alone will be responsible for the consequences."

I have the honour to request your Excellency to convey the above message to his Excellency the Prime Minister.

I avail, &c.

F. M. SHEPHERD.

INTERNATIONAL COURT OF JUSTICE, YEAR 1951

5TH JULY, 1951

Anglo-Iranian Oil Company Case :

Request for the Indication of Interim Measures of Protection

(UNITED KINGDOM/IRAN)

ORDER

Present:

President: Basdevant

Vice-President: Guerrero

Judges Alvarez, Hackworth, Winiarski, Zoricic, De Visscher, Sir Arnold
McNair, Klaestad, Badawi Pasha, Read, Hsu Mo

Registrar: Hambro

The Court composed as above, after deliberation, having regard to Articles 41 and 48 of the Statute of the Court,⁽¹⁾ having regard to Article 61 of the Rules of Court,

In the proceedings instituted before the Court by the Application dated 26th May, 1951, by the Government of the United Kingdom of Great Britain and Northern Ireland, against the Iranian Empire in the case of the Anglo-Iranian Oil Company, Limited;

Makes the following Order:—

Having regard to the Request dated 22nd June, 1951, submitted to the Court and filed in the Registry on that day whereby the United Kingdom Government,—invoking Article 41 of the Statute and Article 61 of the Rules, and referring to the Application of 26th May, in which the United Kingdom Government had reserved the right to request the Court to indicate such interim measures,—requested the Court to indicate that pending the final Judgment of the Court in the Anglo-Iranian Oil Company case:—

- (a) The Imperial Government of Iran should permit the Anglo-Iranian Oil Company (Limited), its servants and agents, to search for and extract petroleum and to transport, refine or treat in any other manner and render suitable for commerce and to sell or export the petroleum obtained by it, and generally, to continue to carry on the operations which it was carrying on prior to 1st May, 1951, free from interference calculated to impede or endanger the operations of the Company, by the Imperial Government of Iran, their servants or agents, or any Board, Commission, Committee, or other body nominated by them.
- (b) The Imperial Government of Iran should not by any executive or legislative act or judicial process hinder or prevent or attempt to hinder or prevent the Anglo-Iranian Oil Company (Limited), its servants or agents, in or from continuing to carry on its operations as aforesaid.

(¹) Treaty Series No. 67 (1946), Cmd. 7015.

- (c) The Imperial Government of Iran should not by any executive or legislative act or judicial process sequester or seize or attempt to sequester or seize or otherwise interfere with any property of the Anglo-Iranian Oil Company (Limited), including (but without prejudice to a decision on the merits of the case) any property which the Imperial Government of Iran have already purported to nationalise or otherwise to expropriate.
- (d) The Imperial Government of Iran should not by any executive or legislative act or judicial process sequester or seize or attempt to sequester or seize any moneys earned by the Anglo-Iranian Oil Company (Limited), or otherwise in the possession or power of the Anglo-Iranian Oil Company (Limited), including (but without prejudice to a decision on the merits of the case) any moneys which the Imperial Government of Iran have purported to nationalise or otherwise to expropriate or any moneys earned by means of property which they have purported so to nationalise or otherwise to expropriate.
- (e) The Imperial Government of Iran should not by any executive or legislative act or judicial process require or attempt to require the Anglo-Iranian Oil Company (Limited) to dispose of the moneys referred to in sub-paragraph (d) above otherwise than in accordance with the terms of the Convention of 1933 or of any measure to be indicated by the Court.
- (f) The Imperial Government of Iran should ensure that no other steps of any kind are taken capable of prejudicing the right of the Government of the United Kingdom to have a decision of the Court in its favour on the merits of the case executed, should the Court render such a decision.
- (g) The Imperial Government of Iran and the Government of the United Kingdom should ensure that no step of any kind is taken capable of aggravating or extending the dispute submitted to the Court, and in particular, the Imperial Government of Iran should abstain from all propaganda calculated to inflame opinion in Iran against the Anglo-Iranian Oil Company (Limited) and the United Kingdom.

Whereas, on the day on which the Request for the indication of interim measures was filed, it was transmitted to the Iranian Government and the submissions made therein were communicated by telegraph to the said Government:—

Whereas the Registry, referring to Article 41, paragraph 2, of the Statute, notified the Secretary-General of the United Nations of the said Request, and, in accordance with Article 40, paragraph 3, of the Statute communicated it to the Members of the United Nations through the Secretary-General, and to the other States entitled to appear before the Court;

Having regard to the message transmitted by telegraph by the President of the Court on 23rd June to the Prime Minister and to the Minister for Foreign Affairs in Iran, which was in the following terms:—

“ Court being due to meet to consider Request for indication interim measures of protection filed 22nd June by United Kingdom Agent, it is my duty in accordance with Article 61 of the Rules to take such measures as appear necessary to me to enable the Court to give an effective decision. For this purpose I have honour to suggest to your Excellencies that Imperial Government issue appropriate instructions to avoid all measures which might render impossible or difficult the execution of any judgment which the Court might subsequently give and to ensure that no action is taken which might aggravate the dispute submitted to Court. Any measures taken by Imperial Iranian Government for this purpose would in no way prejudice such representations as that Government may deem it appropriate

to make to Court either in proceedings on Request for interim measures in which both parties will have right to be heard at hearing on 30th June or subsequently in proceedings on Application filed 26th May by the United Kingdom."

Having regard to the reply to this message, transmitted by telegraph on 29th June to the Iranian Legation at The Hague, and, on the same day, delivered to the President of the Court by the Iranian Minister at The Hague, filed and communicated to the Agent for the United Kingdom Government;

Having regard to the final text of the said reply, consisting of a message signed "B. Kazemi, Minister for Foreign Affairs of Iran," followed by a statement together with three annexes delivered to the President of the Court on 30th June by the Iranian Minister at The Hague, which was also communicated to the Agent for the United Kingdom Government;

Whereas the said reply stated:

"In view of the foregoing considerations the Iranian Government hopes that the Court will declare that the case is not within its jurisdiction because of the legal incompetence of the complainant and because of the fact that exercise of the right of sovereignty is not subject to complaint. Under these circumstances the request for interim measures of protection would naturally be rejected."

Whereas on 23rd June, the day following the filing of the Request for the indication of interim measures of protection, the United Kingdom Government, through its duly authorised Agent, and the Iranian Government through its Minister for Foreign Affairs, were informed that the Court would fix a hearing for the purpose of giving the Parties an opportunity of presenting their observations on the subject of the Request;

Whereas upon the opening of the hearing fixed for this purpose, the President of the Court took note of the presence in Court of Sir Eric Beckett, K.C.M.G., K.C., Legal Adviser to the Foreign Office, and of the Right Honourable Sir Frank Soskice, K.C., M.P., Attorney-General; Professor H. Lauterpacht, K.C., Professor of International Law at Cambridge University; Mr. A. K. Rothnie, Eastern Department, Foreign Office; and Messrs. H. A. P. Fisher and D. H. N. Johnson, Counsel;

Whereas the Iranian Government was not represented at this hearing;

Having heard Sir Frank Soskice on behalf of the United Kingdom Government, on the request for the indication of interim measures of protection;

Whereas the submissions in the request of the United Kingdom Government, quoted above, were maintained in the course of the hearing;

Whereas in its message of 29th June, 1951, the Iranian Government stated that it rejected the Request for the indication of interim measures of protection presented by the United Kingdom Government on the grounds principally of the want of competence on the part of the United Kingdom Government to refer to the Court a dispute which had arisen between the Iranian Government and the Anglo-Iranian Oil Company, Limited, and of the fact that this dispute pertaining to the exercise of the sovereign rights of Iran was exclusively within the national jurisdiction of that State and thus not subject to the methods of settlement specified in the Charter;⁽¹⁾

Whereas it appears from the Application by which the Government of the United Kingdom instituted proceedings, that that Government has adopted the cause of a British Company and is proceeding in virtue of the right of diplomatic protection;

Whereas the complaint made in the Application is one of an alleged violation of international law by the breach of the agreement for a concession of 29th April, 1933, and by a denial of justice which, according to the

⁽¹⁾ Treaty Series No. 67 (1946), Cmd. 7015

Government of the United Kingdom, would follow from the refusal of the Iranian Government to accept arbitration in accordance with that agreement, and whereas it cannot be accepted *a priori* that a claim based on such a complaint falls completely outside the scope of international jurisdiction;

Whereas the considerations stated in the preceding paragraph suffice to empower the Court to entertain the request for interim measures of protection;

Whereas the indication of such measures in no way prejudices the question of the jurisdiction of the Court to deal with the merits of the case and leaves unaffected the right of the Respondent to submit arguments against such jurisdiction;

Whereas the object of interim measures of protection provided for in the Statute is to preserve the respective rights of the Parties pending the decision of the Court, and whereas from the general terms of Article 41 of the Statute and from the power recognised by Article 61, paragraph 6, of the Rules of Court, to indicate interim measures of protection *proprio motu*, it follows that the Court must be concerned to preserve by such measures the rights which may be subsequently adjudged by the Court to belong either to the Applicant or to the Respondent;

Whereas the existing state of affairs justifies the indication of interim measures of protection;

For these reasons,

THE COURT

Indicates, pending its final decision in the proceedings instituted on 26th May, 1951, by the Government of the United Kingdom of Great Britain and Northern Ireland against the Imperial Government of Iran, the following provisional measures which will apply on the basis of reciprocal observance:—

1. That the Iranian Government and the United Kingdom Government should each ensure that no action is taken which might prejudice the rights of the other Party in respect of the carrying out of any decision on the merits which the Court may subsequently render;
2. That the Iranian Government and the United Kingdom Government should each ensure that no action of any kind is taken which might aggravate or extend the dispute submitted to the Court;
3. That the Iranian Government and the United Kingdom Government should each ensure that no measure of any kind should be taken designed to hinder the carrying on of the industrial and commercial operations of the Anglo-Iranian Oil Company, Limited, as they were carried on prior to 1st May, 1951;
4. That the Company's operations in Iran should continue under the direction of its management as it was constituted prior to 1st May, 1951, subject to such modifications as may be brought about by agreement with the Board of Supervision referred to in paragraph 5;
5. That, in order to ensure the full effect of the preceding provisions, which in any case retain their own authority, there should be established by agreement between the Iranian Government and the United Kingdom Government a Board to be known as the Board of Supervision composed of two Members appointed by each of the said Governments and a fifth Member, who should be a national of a third State and should be chosen by agreement between these Governments, or, in default of such agreement, and upon the joint request of the Parties, by the President of the Court.

The Board will have the duty of ensuring that the Company's operations are carried on in accordance with the provisions above set forth. It will, *inter alia*, have the duty of auditing the revenue and expenses and of ensuring

that all revenue in excess of the sums required to be paid in the course of the normal carrying on of the operations and the other normal expenses incurred by the Anglo-Iranian Oil Company, Limited, are paid into accounts at banks to be selected by the Board on the undertaking of such banks not to dispose of such funds except in accordance with the decisions of the Court or the agreement of the Parties.

Done in English and French, the English text being authoritative, at the Peace Palace, The Hague, this fifth day of July, one thousand nine hundred and fifty-one, in four copies, one of which will be placed in the Archives of the Court, and the others transmitted to the Imperial Government of Iran, to the Government of the United Kingdom of Great Britain and Northern Ireland, and to the Secretary-General of the United Nations for transmission to the Security Council.

BASDEVANT, *President*.

E. HAMBRO, *Registrar*.

Judges Winiarski and Badawi Pasha, declaring that they are unable to concur in the Order of the Court, have appended to the Order the joint statement of their dissenting opinion.

J. B.

E. H.

DISSENTING OPINION OF JUDGES WINIARSKI AND BADAWI PASHA

However justified the interim measures of protection formulated in this Order may appear, we are of opinion that the Court should not have indicated them, on grounds of principle which it is our duty to indicate briefly.

The question of interim measures of protection is linked, for the Court, with the question of jurisdiction; the Court has power to indicate such measures only if it holds, should it be only provisionally, that it is competent to hear the case on its merits. Article 41 of the Statute empowers the Court to indicate interim measures of protection "if it considers that circumstances so require." The provisions of this Article presuppose the competence of the Court; this Article is to be found in the Chapter of the Statute headed "Procedure"; it refers to "the parties"; there must therefore be proceedings within the meaning of the Statute and there must be parties.

Clearly, it could not be claimed that, in the event of a challenge of its jurisdiction, the Court should finally pronounce on this question before indicating interim measures of protection; in such a case as this the request might well become pointless; but the Court must consider its competence reasonably probable.

Article 41 naturally raises a different question for the consideration of the Court, the question whether the circumstances require provisional measures to be taken, and, from this point of view, the power of the International Court of Justice is not in substance different from that of a national tribunal. President Anzilotti, in a dissenting opinion (in the Polish Agrarian Reform case, in 1933) went so far as to say that if the *summaria cognitio*, which was characteristic of a procedure of that kind, enabled the Court to take into account the possibility of the right claimed and the possibility of the danger to which that right was exposed, a request for interim measures of protection should be granted. But as interim measures of protection are exceptional in character and in derogation of general rights, the tribunal ought to examine the situation as a whole; thus, for instance, in the countries where there is power to grant a temporary injunction, in cases where the measures asked

for would involve particular hardship on the respondent, a judge will only grant it if the right of the applicant appears to him to be clear; thus, too, if it seems to him to be very probable that the applicant will fail in the proceedings, he will refuse to grant the relief asked for. The question of the jurisdiction of the national tribunal does not in practice arise; the application is made to the competent tribunal; if the tribunal has no jurisdiction it will not order interim measures. But, in municipal law, there is always some tribunal which has jurisdiction.

In international law it is the consent of the parties which confers jurisdiction on the Court; the Court has jurisdiction only in so far as that jurisdiction has been accepted by the parties. The power given to the Court by Article 41 is not unconditional; it is given for the purposes of the proceedings and is limited to those proceedings. If there is no jurisdiction as to the merits, there can be no jurisdiction to indicate interim measures of protection. Measures of this kind in international law are exceptional in character to an even greater extent than they are in municipal law; they may easily be considered as scarcely tolerable interference in the affairs of a sovereign State. For this reason, too, the Court ought not to indicate interim measures of protection unless its competence, in the event of this being challenged, appears to the Court to be nevertheless reasonably probable. Its opinion on this point should be reached after a summary consideration; it can only be provisional and cannot prejudice its final decision, after the detailed consideration to which the Court will proceed in the course of adjudicating on the question in conformity with all the Rules laid down for its procedure.

We find it difficult to accept the view that if, *prima facie*, the total lack of jurisdiction of the Court is not patent, that is, if there is a possibility, however remote, that the Court may be competent, then it may indicate interim measures of protection. This approach, which also involves an element of judgment, and which does not reserve to any greater extent the right of the Court to give a final decision as to its jurisdiction, appears, however, to be based on a presumption in favour of the competence of the Court which is not in consonance with the principles of international law. In order to accord with these principles, the position should be reversed: if there exist weighty arguments in favour of the challenged jurisdiction, the Court may indicate interim measures of protection; if there exist serious doubts or weighty arguments against this jurisdiction such measures cannot be indicated.

In order to minimise the seriousness of this question, there have been invoked before the Court examples taken from the practice of the Mixed Arbitral Tribunals. But these tribunals, as joint organs of two States, differ both as to their character and as to their procedure from an international tribunal, and, therefore, from the International Court of Justice, and there is, consequently, nothing to be learned from their precedents.

There were also invoked precedents of the Permanent Court of International Justice; these precedents, however, in no way support the argument put forward. Interim measures of protection were requested in six cases; the requests were granted in only two. In the Belgian/Chinese case (in 1927), the President first refused, then granted, and, finally, revoked the interim measures of protection. In his Order, the President was careful to say: "Provisionally, pending the final decision of the Court . . . either on the question of its jurisdiction or on the merits." In revoking these measures the President pointed out what were the circumstances: "the time limit allowed for the filing of the Counter-Case has not expired, the Respondent has not had an opportunity of indicating whether he accepts the Court's jurisdiction in the case." In the case concerning the Electricity Company of Sofia and Bulgaria (in 1939), Bulgaria objected to the jurisdiction of the Court. The

objection was considered by the Court and allowed in part; as to the remainder the Court held itself competent. It was only after this finding that the Court indicated interim measures of protection, and then in very general terms.

There are certainly cases in which the objection to the jurisdiction is regarded as a mere ground of defence, and in which the party overruled in its objection continues to take part in the proceedings. But in this case the facts are quite different. Iran affirms that it has not accepted the jurisdiction of the Court in the present matter and that it is in no way bound in law; it has refused to appear before the Court and has put forward reasons for its attitude. The Court ought, therefore to decide, in a summary way and provisionally, for the purpose of arriving at the decision which it must take on the question of interim measures of protection, which is the more probable of the two conclusions which it may finally come to on the question of its jurisdiction.

In this connexion, a consideration, entirely summary in character, of the various grounds upon which the Government of the United Kingdom alleges that the Court has jurisdiction, leads us to the provisional conclusion that if Iran does not accept the jurisdiction of the Court in pursuance of the suggestion made by the United Kingdom in paragraph 20 of the application ("Alternatively, whether or not the Court has the right to exercise jurisdiction in this case the Government of the United Kingdom expects that Iran will agree to appear before the Court voluntarily"), the Court will be compelled to hold itself without jurisdiction in this case and that, in these circumstances, interim measures of protection should not have been indicated.

B. WINIARSKI.

BADAWI PASHA.

[No. 25]

Note from His Majesty's Ambassador at Tehran to the Persian Minister for Foreign Affairs, dated 7th July, 1951

M. le Ministre,

I have the honour to inform your Excellency, on instructions from His Majesty's Government that as already publicly announced they accept in full the recommendations of the International Court on the United Kingdom request for the indication of interim measures of protection relative to the present oil dispute. On the assumption that the Imperial Government similarly accept these recommendations in full, His Majesty's Government are considering their nominations to the board of supervision recommended by the Court and hope to let the Imperial Government know very shortly the names of their representatives. They will be glad to learn in due course the names of the two representatives to be nominated by the Imperial Government. His Majesty's Government also hope shortly to be in a position to make suggestions regarding the fifth member of the board, whose name is to be agreed between the two Governments and will in the meantime be glad to learn of any suggestion which the Imperial Government may wish to make. His Majesty's Government will be making a further communication to the Imperial Government about the detailed implementation of the Court's recommendations, particularly about measures to be taken to make possible the resumption of the Company's operations on the basis proposed by the Court.

I avail, &c.

F. M. SHEPHERD.

**Note from the Persian Minister for Foreign Affairs to His Majesty's
Ambassador at Tehran, dated 7th September, 1951**

M. l'Ambassadeur,

In reply to your Excellency's Note of 7th July, you are informed that—

- (1) Imperial Government in its declaration of 2nd October, 1930, did not accept competence of International Court of Justice in matters relating to Persia's national sovereignty.
- (2) Imperial Government had notified International Court of this view and Court should therefore, instead of taking any decision, have issued declaration of its own non-competence.
- (3) Court's decision of 5th July has no legal foundation whatever and is contrary to justice and equity, and Imperial Government does not consider it valid.
- (4) In telegram addressed to Secretary-General of United Nations 9th July and repeated for information to International Court, I stated clearly that the Imperial Government did not consider Court competent to investigate this matter, and in addition, withdrew acceptance of Court's compulsory jurisdiction as laid down in part 2 of Article 136 of Court's constitution. Imperial Government has thus decided that decision of International Court is unjust and contrary to Persia's independence and national sovereignty and as I informed your Excellency orally at our interview on Saturday, 7th July, continues to regard decision mentioned as invalid.

DR. MOHAMMAD MUSADDIQ.

Harriman Formula

The Council of Ministers and the Mixed Oil Commission in their meeting of 31st Tirmah (23rd July, 1951), held at the residence of his Excellency, Dr. Musaddiq, the Prime Minister, approved the following formula:—

1. In case the British Government on behalf of the former Anglo-Iranian Oil Company recognises the principle of nationalisation of the oil industry in Iran, the Iranian Government would be prepared to enter into negotiations with representatives of the British Government on behalf of the former Company.
2. Before sending representatives to Tehran the British Government should make a formal statement of its consent to the principle of nationalisation of the oil industry on behalf of the former Company.
3. By the principle of nationalisation of the oil industry is meant the proposal which was approved by the Special Oil Committee of the Majlis and was confirmed by the law of Esfand 29, 1329 (20th March, 1951), the text of which proposal is quoted hereunder:

“In the name of the prosperity of the Iranian nation and with a view to helping secure world peace we the undersigned propose that the oil industry of Iran be declared as nationalised throughout all regions of the country without exception, that is to say, all operations for exploration, extraction and exploitation shall be in the hands of the Government.”

In this connexion for Mr. Harriman's further information a copy of the note which the representatives of the former oil company

submitted to the Iranian Government on their method of accepting the principle of the nationalisation of the oil industry, which note was not accepted, is being herewith enclosed.

4. The Iranian Government is prepared to negotiate the manner in which the law will be carried out in so far as it affects British interests.

[No. 28]

Note from His Majesty's Chargé d'Affaires at Tehran to the Persian Minister for Foreign Affairs, dated 3rd August, 1951

M. le Ministre,

I have the honour to inform your Excellency on instructions from my Government that they have received through Mr. Harriman the Imperial Government's formula for negotiations between the Imperial Government and His Majesty's Government on behalf of the Anglo-Iranian Oil Company and for discussion on matters of mutual interest to the two Governments.

2. His Majesty's Government are desirous of availing themselves of this formula and are prepared to negotiate in accordance with it, but it will be appreciated by the Imperial Government that negotiations which His Majesty's Government for their part will enter into with the utmost goodwill cannot be conducted in a satisfactory manner unless the present atmosphere is relieved. On the assurance that the Imperial Government recognise this fact and will enter into discussions in the same spirit a mission headed by a Cabinet Minister will immediately set out.

3. His Majesty's Government recognise on their own behalf and on that of the Company, the principle of the nationalisation of the oil industry in Iran.

I avail, &c.

G. H. MIDDLETON.

[No. 29]

Note from the Persian Minister for Foreign Affairs to His Majesty's Chargé d'Affaires at Tehran, dated 3rd August, 1951

M. le Chargé d'Affaires,

In reply to your letter of 3rd August, 1951, I have to inform you that the Iranian Government is pleased that, in accordance with the formula submitted by Mr. Averell Harriman,⁽¹⁵⁾ the British Government has recognised on its own behalf and on that of the former company the principle of nationalisation of the oil industry in Iran, and is sending a mission to Iran to negotiate. The Iranian Government recognised the essentiality, in the interests of the success of the negotiations, of both Governments creating the best possible atmosphere, and will enter into the negotiations in the same spirit of goodwill as that expressed by the British Government.

Please accept, &c.

B. KAZIMI.

⁽¹⁵⁾ No. 27.

“ 8-point ” Proposals submitted on 13th August, 1951

Outline of Suggestions submitted by the British delegation without prejudice to any party concerned

1. The Anglo-Iranian Oil Company will transfer to the National Iranian Oil Company the whole of its installations, machinery, plant and stores in Iran. As regards the assets in southern Iran compensation by the National Iranian Oil Company to the Anglo-Iranian Oil Company would be included in the operating costs of the oil industry in the area. Compensation for the assets used in the past for distribution and marketing in Iran will be dealt with under the separate arrangements suggested in paragraph 7 below.

2. A Purchasing Organisation will be formed in order to provide the assured outlet for Iranian oil which is the only basis upon which an oil industry of the magnitude of that of Iran could hope to maintain itself. This will be done by means of a long-term contract, say 25 years, with the National Iranian Oil Company for the purchase f.o.b. of very large quantities of crude oil and products from southern Iran.

3. Apart from this arrangement the National Iranian Oil Company would be able to make additional sales of oil subject to the normal commercial provision that such sales should be effected in such a way as not to prejudice the interests of the Purchasing Organisation.

4. The Purchasing Organisation under the agreement will be placing at the disposal of the National Iranian Oil Company a world wide transportation and marketing service, including one of the largest tanker fleets in the world, and will be entering into firm commitments with its customers for the fulfilment of which it will be relying on Iranian oil. It will, therefore, as a matter of normal commercial practice, have to assure itself that oil in the necessary quantities and qualities will come forward at the times required. In order to secure this objective the Purchasing Organisation will agree with the National Iranian Oil Company an Organisation which, under the authority of the National Iranian Oil Company, will manage on behalf of the National Iranian Oil Company the operations of searching for, producing, transporting, refining and loading oil within the area. The Purchasing Organisation will arrange from current proceeds the finance necessary to cover operating expenses.

5. In order that the proposed Purchasing Organisation can be induced to commit itself to the purchase of large quantities of Iranian oil over a long period of years, the commercial terms must be not less advantageous than the Purchasing Organisation would secure elsewhere either by purchase or development. In effect this means that the Purchasing Organisation would buy the oil from the National Iranian Oil Company at commercial prices f.o.b. Iran less a price discount equal in the aggregate to the profit remaining to the National Iranian Oil Company after allowing for the discount and for the costs of making the oil available to the Purchasing Organisation.

6. In the event of the foregoing suggestions being accepted by the Iranian Government as a basis for the future operation of the oil industry in southern Iran it is suggested that they should be expanded into the Heads of an Agreement which could later be developed into a detailed purchasing arrangement between the Iranian Government and the proposed Purchasing

Organisation. The Heads of Agreement would also provide for the immediate resumption of operation in southern Iran on an interim basis.

7. It is suggested that all the assets owned by the Kermanshah Petroleum Company, Limited, which produces and refines oil for consumption in Iran together with the installations, machinery, plant and movable assets of the Anglo-Iranian Oil Company which have been used in the past for distribution and marketing of refined products within Iran should be transferred to the Iranian Government on favourable terms.

8. There will be Iranian representation on the board of directors (or its equivalent) of the Operating Organisation, which will of course only employ non-Iranian staff to the extent that it finds necessary to do so for the efficiency of its operations. It will also offer its full co-operation to the National Iranian Oil Company in any programme of training on which the latter may wish to embark.

[No. 31]

The reply of the Persian delegation dated 18th August, 1951, to the proposals of the British delegation (without prejudice to the rights of the two parties)

The Persian delegation does not consider that the proposals for the future operation of the oil industry in the South, which the British delegation acting on behalf of the former oil company submitted to the Persian delegation, conform to the definition of nationalisation of oil industry stipulated in Persian Law and which formed part of the formula put forward by Mr. Harriman⁽¹⁶⁾ and accepted by His Majesty's Government and the former Oil Company.

According to this formula, nationalisation of oil industry is defined as meaning that all exploration, extraction and exploitation operations are in the hands of the Persian Government. But the principles proposed by the British delegation would not only take out of the hands of the Persian Government a substantial part of the powers of management of the oil industry, but would also revive the former Anglo-Iranian Oil Company in a new form.

Leaving out certain minor points, the main headings proposed by the British delegation and arguments which are now put forward on various subjects are as follows:—

1. *Purchasing Organisation.*—In these proposals, the establishment of a Purchasing Organisation, for the export of Persia's oil, is envisaged. This organisation would enter into a long-term contract, say for 25 years, with the Persian National Oil Company. This organisation would buy Persian oil in very large quantities in such a way as to approximate to a monopoly.

Although provision is made in article 3 of the British delegation's memorandum for the Persian National Oil Company to be able to engage in additional transactions for the sale of oil, nevertheless the condition is imposed that these transactions must be carried out in such a way that they shall not prejudice the interests of the Purchasing Organisation.

The Persian Government is ready to sell to England, on a basis of ordinary commercial contracts, oil products in the quantity which has been supplied in recent years for British consumption. The Persian Government cannot, however, accept a situation approximating to a monopoly for the sale of oil.

2. *Price of oil and division of profits.*—In the British delegation's memorandum it is suggested that the Purchasing Organisation shall buy oil from the Persian National Oil Company at commercial Persian ports (f.o.b.) at prices

⁽¹⁶⁾ No. 27.

subject to a discount in such a way that the Persian National Oil Company will receive, after payment of production expenses and amortisation of compensation, a residuary profit equivalent to profit accruing to the Purchasing Organisation, in consequence of this discount: in other words, that profit of Persian National Oil Company shall be divided 50-50 with the Purchasing Organisation.

The basis of a price discount and a division of profits is unacceptable to the Persian Government. In addition it does not accord with the normal commercial practice, because Purchasing Organisation which buys oil at Persian ports (f.o.b.) prices and takes into account its transport, insurance and distribution of costs, and its profits at price in which it sells in consuming markets, has no further justification for requesting a discount on f.o.b. price in such a way that half the profits of production of oil should accrue to suggested Purchasing Organisation.

3. *The operating Organisation.*—The third important point of British delegation's memorandum is that Purchasing Organisation will, in collaboration with National Iranian Oil Company, come to an agreement about the creation of an Operating Organisation. This Organisation will, under the authority of the National Iranian Oil Company, administer operations of exploration, production, transportation, refining and shipment of oil in the area. The Persian Government will be represented in this Organisation.

The Persian Government is convinced that such an organisation is clearly contrary to the principles of nationalisation of the oil industry, constituting a limitation of the sovereign rights of Persia and reviving former Anglo-Iranian Oil Company under a new guise. In addition, a similar proposal with minor differences, and even in a more favourable form, was submitted by the delegation of the former Anglo-Iranian Oil Company. This proposal was rejected by the Persian Government and this fact was set forth in fourth section of the formula presented to Mr. Harriman and submitted to the British Government.

The Persian Government is conscious of its need for the presence of experienced foreign specialists for the effective administration of oil. It also realises that it is necessary that these experts responsible for oil operations, which they will conduct for the Government and National Iranian Oil Company, should have authority and sufficient freedom of action in respect of executive and technical matters. The Persian Government will also give experts the necessary powers according to the laws and internal ordinances of Persia and in accordance with individual agreements which have been entered into with them. The Persian Government is not, however, prepared to hand over control of oil operations to a foreign organisation or to restrict sovereignty of Persia.

4. *Transfer of Company's properties and method of payment of compensation.*—In paragraph 1 of the British delegation's proposals it is provided that the former Anglo-Iranian Oil Company will transfer all its installations, machinery, apparatus and equipment in Persia to National Iranian Oil Company and, in the case of assets situated in South Persia, the compensation to be paid to the former Anglo-Iranian Oil Company by National Iranian Oil Company will be counted as part of expenses of running oil industry in that area.

In the case of assets of Kermanshah oil and similarly all installations, machinery, apparatus and movable property of the former Anglo-Iranian Oil Company, which in the past was used for marketing of refined products in Persia, it is provided in paragraph 7 that these properties will be transferred to the Persian Government on favourable terms.

As regards compensation, as has been explained repeatedly and is now stated again, the assets of the former Company have been vested in the Persian Government by virtue of law for nationalisation of Oil Industry. The Government is ready to investigate fully and fairly the just claims of the former Anglo-Iranian Oil Company, taking into consideration the claims which the Persian Government has against the Company, and in respect of its assets in Persia and outside Persia, at last settling these claims after the rights of both parties have been established.

By the explanations which have been given, it is proved that proposal of British delegation is not consistent with the sense of the formula submitted by the Persian Government and if at least British delegation will consider objections and criticisms of the Persian delegation, this delegation, as it has repeatedly said and proved in practice, will welcome most warmly the continuation of negotiations.

[No. 32]

**Letter from the Lord Privy Seal to the Persian Prime Minister, dated
21st August, 1951**

Dear Prime Minister,

This is to confirm that my 8-point proposal⁽¹⁷⁾ put forward as a basis of negotiation is withdrawn. Should you decide to accept before mid-day tomorrow the principles I outlined which would make it possible for the British staff to remain in the refinery and oilfields, an aim which you yourself have said is necessary, I shall be prepared to resume discussions.

Yours sincerely,

R. R. STOKES.

[No. 33]

**Letter from the Persian Prime Minister to the Lord Privy Seal, dated
21st August, 1951**

My dear Lord Privy Seal,

In reply to your Excellency's private letter of to-day⁽¹⁸⁾ (21st August, 1951) I would like to state that as has already been repeatedly declared, and your Excellency is also well aware, the Persian Government is interested in continuing mutual discussions for the purpose of finding a satisfactory settlement. And since the Government is now engaged in drawing up and submitting its views concerning the attainment of an agreement, I request your Excellency to clarify in writing the details of the principle to which reference is made in your Excellency's letter and which would result in the British staff remaining in the refinery and the oilfields; so that the Government may, after consultation, declare its definite views together with other questions to be discussed.

DR. MOHAMMAD MUSADDIQ.

⁽¹⁷⁾ No. 30.

⁽¹⁸⁾ No. 32.

**Letter from the Lord Privy Seal to the Persian Prime Minister, dated
22nd August, 1951**

My dear Prime Minister,

At our two-hour meeting yesterday I explained as clearly as I could the functions and responsibilities which would have to be carried out by an Operating Organisation or a General Manager in relation to the National Iranian Oil Company.

You had yourself assured me that the British staff should by Statute continue to carry out all the functions and responsibilities which they have hitherto. It was all the greater surprise to me, therefore, when yesterday you were insistent on a division of responsibility which would make the efficient administration of the refinery and oilfields quite impossible.

I cannot emphasise too strongly that the fundamental condition in this respect is that the British staff themselves should be fully satisfied that they are working for a management which is proved and efficient. They are free men and if they are not so satisfied no agreement between our two Governments will keep them in Iran.

I cannot believe that it is your intention to make it impossible for us to work out a business-like arrangement which will enable the British staff to continue to serve in Iran and to contribute to the prosperity of the country.

I shall hope to hear from you before noon to-day.

Yours sincerely,

R. R. STOKES.

**Letter from the Persian Prime Minister to the Lord Privy Seal, dated
22nd August, 1951**

My dear Lord Privy Seal,

Concerning the carrying on of technical and administrative matters which you asked to be organised so that the British employees may continue their services, if you will give consideration to the views of the Imperial Government on question of sales and compensation, we will agree to the creation of a "management" organisation which would give full confidence.

1. View of the Persian Government regarding Solution of Problems arising from Nationalisation of the Oil Industry in Persia

Nationalisation of the oil industry in Persia and acceptance of it by His Majesty's Government, on behalf of itself and of the oil company, has given rise to three problems for which a solution must be found, namely, sale of oil to former customers, use of foreign technicians, and fixing of compensation.

It is evident that this solution must reconcile on one hand the interests of the Persian Government and on the other the interests of the customers and shareholders of the former company within limits of the laws for nationalisation of the oil industry.

The Persian Government, after consultation with the Mixed Commission, suggests for discussion by British and Persian Delegations, the following solution with a view to obtaining this result.

2. *Sale of Oil to Former Customers*

In order not to prejudice the interests of former customers of Persian oil, the Persian Government will protect their right of purchase, even giving them preference over new customers. His Majesty's Government and other former customers of oil may avail themselves fully of this right and buy henceforth at fair international price on basis of commercial agreements the same quantity of oil as they bought previously. Moreover, if after sale to former customers any oil is left over, former customers will have priority for the purchase of this surplus on same conditions.

Sale of products of National Iranian Oil Company will be f.o.b. Persian port.

National Iranian Oil Company is ready to conclude sales agreements with any of the former customers, and any of the former customers may take delivery of their oil either direct or through transportation and distribution agencies and companies. It is evident that former customers may appoint one or more transportation and distribution agencies as their agents for taking delivery of the quota of oil purchased by them.

3. *Employment of Foreign Experts*

National Iranian Oil Company will retain in their posts foreign experts with entire salaries and allowances which they enjoyed under the former oil company in accordance with their individual agreements. Also, in order that there should be no change in the organisation of the former oil company, and that the great oil industry should be in no way prejudiced, the whole of that organisation, as well as former administrative and technical arrangements will be preserved (in so far as they are consistent with nationalisation), and all technical and administrative sections will be put into operation as before. These sections will be entrusted to foreign as well as home experts. In current and day-to-day business, sufficient authority will be accorded to the heads of these sections in order that they may be at liberty to carry out their duties properly.

In addition, in order that the National Iranian Oil Company should not fall short of the other oil companies of the world in respect of scientific progress, a sufficient number of first-class experts from countries with no special political interest in Iran shall be employed as members of the board of management.

4. *Compensation*

In matter of compensation, what has already been repeatedly explained is now restated, namely, that the Government is ready to come to an agreement with the former oil company about their claims and just demands on the company. This will be done after a thorough investigation of the claims of both sides.

It is clear that all of the above matters only form a basis for discussion and do not constitute any commitment by either side.

DR. MOHAMMAD MUSADDIQ.

**Letter from the Persian Prime Minister to Mr. Harriman, dated
12th September, 1951**

Dear Mr. Harriman,

The Saheb Gharanieh Conference which came into existence as the result of your Excellency's endeavours and good will and in which Iran Government and people had lodged their complete faith unfortunately did not produce desirable results. Subsequent to this, Mr. Stokes and your Excellency left Iran on 22nd and 24th August, respectively, and the negotiations were declared suspended in spite of the fact that in my last meeting with Mr. Stokes I gave him in writing viewpoints of the Imperial Iranian Government and he promised to give due consideration to the same and inform me about his views from London. While the Iranian Government expected that negotiations would be started on the basis of the viewpoints submitted to him, unfortunately, we have been kept in suspense up to the present. It is even said they are expecting new proposals from us in London. This state of suspense which has lasted has become intolerable.

Since your Excellency, representing the President of the United States, has arranged negotiations between Iran on one hand and the British Government representing the former Anglo-Iranian Oil Company on the other and on your departure from Tehran and later in London and Washington had kindly proposed your voluntary co-operation, hence the Iranian Government ventures to offer present proposals through your Excellency with a request to their immediate transmission to the British Government as representative of the former Anglo-Iranian Oil Company. First, as your Excellency is well aware, the main point of difference which had appeared during the last days of negotiations concerned itself with the management of the National Iranian Oil Company. Mr. Stokes suggested that either an operating agency or a British general director should have charge of the management of the oil industry in the south of Iran. While the Iranian Government could not give its accord to such a proposal because, according to the formula which had been submitted by your Excellency to the British Government and both the Iranian and British Governments had agreed with the same, it was obvious that all exploration, extraction and exploitation activities should be in the hands of the Iranian Government and to accept any proposal contrary to the said formula would be looked upon as submission to revival of the former Anglo-Iranian Oil Company under new guise.

The Iranian Government does not deny the fact of its need of a foreign technical staff and also the fact that such technical men need to have sufficient autonomy and liberty of action which would be conducive to the best management of the industry. The former Anglo-Iranian Oil Company was divided into various departments having at the head of each department foreign experts with necessary and proper liberty of action. The Iranian Government has in mind to keep the same original staff in so far as it does not contradict the terms of the Nationalisation Law and employ managers and responsibilities of technical sections in the National Iranian Oil Company with the same amount of authority which they have enjoyed previously. Furthermore, in order to keep pace with the technical advancements of the modern world in line with oil technology, the Imperial Iranian Government is prepared to take advantage of expert knowledge of foreign technicians from neutral countries and provide in the original law of the National Iranian Oil Company the existence of a mixed executive board composed of such experts and Iranian specialists who would jointly manage administrative and technical affairs of the National Iranian Oil Company.

Secondly, while it has been repeatedly stated that the Iranian Government has never intended and is not intending to confiscate properties of the former Company, yet, it proposes the following three methods of equitable settlement of just claims of the former Anglo-Iranian Oil Company with due regard to claims of the Imperial Iranian Government:

- (a) Determination and amount of compensation to be based on quoted value of shares of the former company at prevailing quotations prior to the passage of the Oil Nationalisation Law.
- (b) Rules and regulations relative to the nationalisation in general which have been followed in democratic countries to be regarded as basis for the determination and amount of compensation.
- (c) Or any other method which may be adopted by mutual consent of the two parties.

Thirdly, with reference to the sale of oil, as we have been informed, Britain has been using about ten million tons of Iranian oil per year for its internal consumption, the Iranian Government declares its readiness to sell this amount of oil for a period agreed upon by mutual consent of both parties every year at prevailing international prices on basis of f.o.b. value in Iranian port.

Fourthly, one of the proposals of Mr. Stokes was to transport Iranian oil by the company which he proposed. It must be said that we can agree to deliver a fixed amount of oil which is sold to Great Britain to any company or transport agency of their designation. Aforesaid points are to be regarded as basis for starting new negotiations and the Iranian Government hopes eventually that an agreement may be reached.

The Iranian Government and the people can no longer tolerate this state of suspension because on one hand there are great number of British experts in Abadan who are prevented by the former Anglo-Iranian Oil Company to be employed by the National Iranian Oil Company and the Iranian Government; therefore, with all its good intentions and expectations to arrive at a mutually satisfactory conclusion has so far abstained from employing experts from other countries. On the other hand so long as existing differences have not been removed and certain employees of the former Anglo-Iranian Oil Company cause new agitation every day and create misunderstandings in relations between the two Governments of Great Britain and Iran, it is quite obvious that other countries will not be ready to send their experts to Iran and enter into transactions for purchase of oil with us. It must be pointed out that as a result, this confused state of affairs and derangements in economic and financial affairs of the country in addition to enormous maintenance costs of the oil industry imposed on our budget, we cannot endure such a situation for a long time and the Iranian Government, because of its great responsibility, deems it necessary to bring to a close this period of uncertainty. Hence, if in the lapse of fifteen days from the date at which this present proposal is submitted to the British Government no satisfactory conclusion is achieved, the Imperial Iranian Government regrets to state its compulsion to cancel the residence permits held by the British staff and experts now residing in southern oil fields.

DR. MOHAMMAD MUSADDIQ.

**Letter from Mr. Harriman to the Persian Prime Minister, dated
15th September, 1951**

Dear Mr. Prime Minister,

Your Excellency's message of 12th September, 1951, has been communicated to me by the Iranian Ambassador. I share your regret that the discussions between the Iranian Government and the British delegation under Lord Privy Seal Stokes did not culminate in an agreement upon a settlement of the oil controversy. I know that the continued interruption of the production and shipment of Iranian oil imposes a very considerable hardship upon the economy of Iran as it does upon the economy of Great Britain. The United States and the entire free world looked anxiously upon these discussions in the hope that some solution could be found which would satisfy the legitimate interests of both parties.

I assure your Excellency that I continue to stand ready to assist in any way that I can in finding a just solution. In my efforts thus far I have endeavoured to be frank and objective in the advice that I have given to the Iranian Government, as well as to the British Government. It is in this objective and friendly spirit, and in an effort to be helpful to you in arriving at a settlement, that I should like to comment upon the substance of your communication.

With reference to the proposals in general, I should say at the outset that they appear to be the same as the proposals made by the Iranian Government during the course of the negotiations in Tehran, which the British Mission did not accept since they did not conform to practical and commercial aspects of the international oil industry. In some respects the proposals in fact represent a retrogression from the positions taken during the discussions.

Your Excellency has suggested that the various departments of the Anglo-Iranian Oil Company be retained, in so far as this does not conflict with the terms of the Nationalisation Law, and that the managers and other responsible personnel of the technical sections be employed in the National Iranian Oil Company with the same authority which they enjoyed previously. You have also stated that the Iranian Government is prepared to create a mixed executive board composed of Iranian and neutral foreign technicians who would jointly manage the administrative and technical affairs of the National Iranian Oil Company.

In discussing this possibility during the negotiations in Tehran, I endeavoured to point out to the Iranian representatives the impracticability of attempting to operate a large and complex industry on the basis of a number of section heads reporting to a board of directors, with no single individual being given executive authority. I believe that no organisation can operate effectively in this manner and I understand Mr. Stokes's position in Tehran to be that the British would not consider it workable. Moreover, I have pointed out that effective operations, particularly of a refinery of the size and complexity of that in Abadan, require the employment of an integrated organisation rather than the employment of individual foreign specialists. Competent technicians would not themselves consent to employment except under conditions satisfactory to them. Such conditions would include assurance that the industry was under capable management and operated in a manner which would assure safety and efficiency.

Your Excellency has expressed concern that the arrangement for the operation of the oil industry must take into account the requirements of the Nationalisation Law. I am convinced that arrangements are possible which would meet this objective and at the same time would assure that the oil

industry is conducted on an efficient basis. During our visit in Tehran Mr. Levy and I discussed with Iranian officials arrangements under which a competent organisation could be employed to operate under the control of the National Iranian Oil Company. Such arrangements are a common business practice throughout the world.

Your Excellency has reiterated that the Iranian Government has not intended and does not intend to confiscate the property of the Anglo-Iranian Oil Company and has suggested methods for the determination of the amount of compensation.

While I have no comments upon your suggestions for determining the value of the assets, it is obvious that payment of compensation must depend upon and will be affected by arrangements for the efficient operation of the oil industry to assure that the products continue to be made available for sale to world markets. As I have pointed out to your Excellency, in the view of the United States Government, the seizure by any Government of foreign-owned assets without either prompt, adequate and effective compensation or alternative arrangements satisfactory to the former owners is, regardless of the intent, confiscation rather than nationalisation. There must be more than a willingness to pay; there must be the ability to do so in an effective form. I believe, however, that if arrangements for the sale of oil are made with the British interests the compensation problem could be worked out satisfactorily and that the net oil income accruing to Iran could be as large as that of any other oil-producing country under comparable circumstances.

Your Excellency has stated that the Iranian Government is prepared to sell to the British ten million tons of oil per year, this quantity representing an estimate of Iranian oil previously used in Great Britain. It is specified that sales would be at prevailing international prices on the basis of the f.o.b. value at Iranian ports. It is also stated that this oil would be delivered to any company or transport agency designated by the British.

As I pointed out to your Excellency in Tehran, in order to be assured of continuous sales of substantial quantities of its oil in world markets Iran must make arrangements with customers that can make available large transportation and distribution facilities for marketing it on a world-wide basis. Potential customers would not make such arrangements unless they could obtain Iranian oil on a basis as favourable as that on which they could buy or develop oil in other producing countries. This, of course, is a practical business consideration. It is also true that only those who have developed markets for Iranian oil are in a position to commit themselves for its purchase in the large quantities produced.

The production of Iranian oil before the present controversy arose amounted to some 30 million tons per year. The major portion of this production was handled by British concerns and affiliates which have developed markets for it throughout the world. Only they have the great transportation facilities needed to carry the oil from Iran to its markets, where only they have the necessary distribution facilities for it. Arrangements, including financial terms, for the sale of only that portion of the oil which previously went to Great Britain would leave the problem of shipping to and distribution in other parts of the world unsolved, and would force the British interests to develop other sources of supply.

During the negotiations in Tehran the Iranian Government indicated its willingness to consider a long-term contract for the sale of Iranian oil to an organisation acting on behalf of former purchasers of the products. Under this suggestion, that portion of the industry's output which was not covered by this contract could be sold directly by the National Iranian Oil Company to its own customers. Your Excellency's present suggestion would indicate that there has been a change in this position.

Your Excellency, in pointing out that the suspension of negotiations with the British and the shut down of the Iranian oil industry have created a serious situation in Iran, has stated that if a satisfactory conclusion is not achieved within fifteen days from the date on which your proposal is submitted to the British Government the Iranian Government intends to cancel the residence permits held by the British staff and experts now residing in the southern oil fields.

As I pointed out to your Excellency, the proposals which you have set forth in your communication do not represent an advance from the positions taken in the discussions in Tehran and in some respects appear to be the opposite. I believe that the problem with which Iran and Great Britain are confronted can be settled only by negotiations based upon recognition of the practical business and technical aspects of the oil industry and based upon mutual goodwill between the parties. Such a settlement which would attain Iranian aspirations for control of the oil industry within Iran is, I am convinced, possible and feasible in accordance with the discussions we have had in Tehran and the comments I have made. However, I consider that my passing your communication to the British Government would militate against a settlement, particularly in view of the position taken regarding the expulsion of the British employees in Southern Iran, a position which I believe will only further aggravate an already serious situation.

As a sincere friend of Iran, I earnestly hope that your Excellency will reconsider the points set forth in your communication and that a basis can be developed under which negotiations can soon be resumed. I want to tell your Excellency how much I appreciate your communicating with me on this matter. As stated earlier, I am anxious to be as helpful as circumstances permit, but for the reasons I have set forth I regret that it is not possible for me to meet your request in this particular instance.

W. AVERELL HARRIMAN,

[No. 38]

**Text of the document handed by the Persian Minister of Court to His Majesty's
Ambassador in Tehran on 19th September, 1951**

Since the Iranian Government is making efforts to make arrangements within the limits of the law so that the nationalisation of the oil industry in Iran may not injure the British Government and nation, and with a view to solving in a just manner as soon as possible the problems raised as a result of the nationalisation of oil, it gives herein below the outline of its final views. The main points for discussion are as follows:—

- (I) Examination of compensation for the former oil company, and the Iranian Government's claims.
- (II) The sale of oil to the British Government.
- (III) Conclusion of contracts with foreign experts.
- (IV) Transportation of oil.

1. The examination of compensation for the former oil company and the Iranian Government's claims

The Iranian Government is prepared to settle the rightful claims of the former company, with due regard to the claims of the Iranian Government in one of the three following ways.

- (a) On the basis of the value before the oil nationalisation law.
- (b) According to the laws and procedures followed in any other country where industries have been nationalised, and the former oil company considers such law and procedure to be most to its interest.
- (c) Or in any other way agreed to by both parties.

2. *The sale of oil to the British Government*

The Iranian Government is prepared to sell yearly to the British Government the same quantities of oil purchased previously by the British Government and people at the prevailing international rates on the basis of the f.o.b. value at any Iranian port according to a long-term contract. The British Government can appropriate 50 per cent. of the value of the oil purchased by them in the way of compensation settlement mentioned in paragraph 1 of this communication.

3. *The conclusion of contracts with foreign experts*

The National Oil Company of Iran will retain and need foreign experts, with the same amount of salaries and allowances which they have been receiving in the former oil company, and will conclude contracts with each one of them. In order to keep intact the administrative organisation of the former oil company, with a view to preventing any possible interruptions in that great industry, it is proposed to retain all the rules and regulations, whether administrative or technical, which have been in force previously (save those contrary to the Oil Nationalisation Law). All the technical and administrative departments shall continue their duties as before and shall be managed by technicians either foreign or Iranian who would have sufficient authority to give them freedom of action in conducting their work. Furthermore at the head of the extraction and refinery organisations a technical director of foreign nationality (whose nationality shall be designated later by the Iranian Government) shall be appointed, this technical director—who shall be a functionary of Iran and shall act as a liaison officer between the foreign technicians and the board of directors—shall discharge his duties under the direct control of the Board of Directors of the National Oil Company of Iran.

4. *The transportation of oil*

The National Oil Company of Iran will deliver the oil to one or more agencies designated by former customers. The Iranian Government, as has been repeatedly stated, is prepared to settle the above-mentioned problems through negotiations and is waiting to hear your views, in case you agree to the opening of negotiations on the basis of this communication, so that the said negotiations may start after the lapse of one week from the date of the transmission of this communication.

[No. 39]

Text of His Majesty's Ambassador's letter of 22nd September, 1951, handed to the Persian Minister of Court

Dear Mr. Ala,

At the audience which His Imperial Majesty the Shah was good enough to grant me on 17th September His Majesty informed me that His Prime Minister was anxious to reopen negotiations on the oil question. Although

the suggestions from the Prime Minister which His Majesty conveyed to me did not appear to me to hold out any real hope of a reasonable basis for negotiations I agreed in deference to His Majesty that if the Iranian Government would put their proposals in writing I would forward them to my Government.

Your Excellency left with me on the evening of 19th September a communication which, I must point out, is not drawn up on official paper and is neither dated nor signed. This paper does not constitute any advance on, but rather a retrogression from, the previous attitude of the Iranian Government: nor does it appear to take into account the views expressed by Mr. Harriman. It does not contain the points which His Majesty gave me to understand Dr. Musaddiq was now putting forward, and indeed the main lines of this paper have already been answered in the letter addressed by Mr. Harriman to Dr. Musaddiq,⁽¹⁹⁾ with which His Majesty's Government are in full agreement.

I regret therefore to have to inform you that His Majesty's Government cannot regard the paper as an official document nor can they regard its contents as constituting a basis on which they would be justified in resuming negotiations.

F. M. SHEPHERD.

(19) No. 37.

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1951

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PRINTED IN GREAT BRITAIN