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CENTRAL INTELLIGENCE AGENCY
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Mossadeq's new proposals offer no hope for oil settlement



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Prime Minister Mossadeq suggested to Ambassador Henderson on 29 January that if the Anglo-Iranian Oil Company presented its demands for compensation from Iran in the form of a lump sum settlement proposal, the problem might be quickly solved without reference to the International Court. The Prime Minister hoped that negotiations would continue as he was very anxious for a solution.

Mossadeq insisted, however, that Iran would only allow AIOC claims for the aboveground refinery installations, and that the Majlis would never permit the British to claim compensation for loss of future profits. He added that Iran would be willing to pay 25 percent of its "gross proceeds" from oil sales for a definite period of years, but that it could not be burdened indefinitely with an enormous debt.

These proposals depart radically from the terms of reference which have guided the Anglo-Iranian negotiations during the past month. Britain has insisted on the right to ask compensation for loss of future profits and has also opposed any lump settlement. There is no indication that the British attitude will change.

Ambassador Henderson believes Mossadeq must realize that these proposals make it impossible to secure settlement through international arbitration. He feels that Mossadeq has again demonstrated the lack of courageous leadership necessary to solve the oil issue; nevertheless, it is improbable that any successor could go further and survive. The Prime Minister may also desire to use the termination of the present conversations as a means for strengthening his internal political position.

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