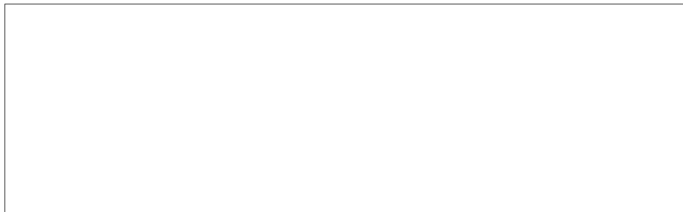


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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
30 July 1954



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TO: Deputy Director (Intelligence)
SUBJECT: Status of Iranian Oil Negotiations*

Announcement by Iran and the international consortium of agreement regarding the production and marketing of Iranian oil is expected from Tehran within the next few days. Agreement apparently has already been reached on all but two issues. One is convertibility, which has just been reopened by Iran; the other is an "umbrella agreement," under discussion by the United States, Britain, France and The Netherlands, which is yet to be presented to Iran. The "umbrella agreement" would cover diplomatic protection for the consortium. London is also considering the latest Iranian offer on the separate compensation negotiations. These matters are expected to be disposed of quickly, although some details remain to be ironed out in the drafting of the formal agreement.

1. Announcement of Agreement with Consortium:

Chief consortium negotiator Page told Ambassador Henderson on 22 July that he expected the aide memoire containing the heads of agreement between Iran and the consortium to be ready for initialing by himself and Iranian finance minister Amini by 28 July. The French radio also issued an unconfirmed report on 27 July that an aide memoire would be initialed on 31 July or 1 August. It now appears that the

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initialing will take place on 2 August, after which Page will return to the United States before going on to London. This suggests that a concession has been made to the Iranians, who want a public announcement of the agreement as soon as possible.

2. Law Applicable to the Consortium Agreement:

The code of law applicable to the agreement was decided on 28 July, but its substance has not been reported. The Iranians and insisted on the application of Iranian law, while the consortium contended for the International Court's formula of the "law of civilized nations."

3. Convertibility of Oil Revenues Paid to Iran:

On 22 July the Iranians presented to the consortium negotiators two new financial proposals. The first provided for the inclusion in the consortium agreement of a clause tying in the [redacted] agreement regarding the convertibility of sterling into dollars. This was an obvious effort by the Iranians to protect themselves against further British restrictions regarding convertibility; in the face of British objections, however, Amini agreed to withdraw the suggestion. The second proposal would establish the exchange rate for the consortium's operations in Iran at the noncommercial rather than at the more favorable commercial rate. There is as yet no indication that the Iranians will withdraw this provision, which the consortium and government representatives oppose

4. Guarantee of an Oil Settlement:

Dutch objections to an intergovernment "umbrella agreement" to provide diplomatic protection to the oil companies, on which London has insisted, have apparently been overcome. The diplomatic representatives of the United States, Britain, France and The Netherlands were to discuss on 29 July new drafts of an exchange of notes with Iran which would make compulsory the referral to the International Court of Justice of any dispute arising from the settlement. However, the French now share Dutch misgivings about such an approach. The French chargé suggested on 28 July that Iran might instead be asked to announce, at the time of the agreement's ratification, its willingness to submit any future disputes to the International Court.

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5. Compensation to Anglo-Iranian Oil Company:

In the separate British-Iranian negotiations on compensation for losses resulting from nationalization and for the Kermanshah refinery and oil fields, which will be operated by Iran, the Iranians on 23 July raised their original offer of \$28,000,000 to \$56,000,000. Ambassador Stevens told Henderson that he would recommend British acceptance if the figure were raised to \$84,000,000. On 26 July, Foreign Office and Treasury officials met in London to consider a "final" Iranian offer of \$70,000,000.

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