FROM: SECRETARY OF STATE DEAN ACHESON, WASHINGTON, D.C.
TO: THE PRESIDENT OF THE UNITED STATES, AND PRESIDENTIAL SPECIAL ENVOY CHARLIE O'NEAL
DTG: 011434Z

1 OCTOBER 1952

RECEIVED

TEXT

I HAVE BEEN IN TOUCH WITH THE PRESIDENT SINCE HE RECEIVED YOUR MESSAGE OF SEPTEMBER 24, ON 1952, AND SINCE HE IS AWAY FROM THE CAPITAL AT THIS TIME, HE HAS AUTHORIZED ME TO ACKNOWLEDGE YOUR LETTER. HE IS DISAPPROVED TO LEARN FROM YOU THAT YOU HAVE FOUND UNACCEPTABLE THE PROPOSAL, PUT FORWARD ON AUGUST 30, 1952.

IT HAD BEEN OUR UNDERSTANDING THAT THE IRANIAN GOVERNMENT'S POSTURE WAS THAT NEGOTIATION FOR SETTLEMENT OF THE OIL DISPUTE MUST TAKE INTO ACCOUNT: (A) THE FACT OF NATIONALIZATION, (B) THE COMPLETE INDEPENDENCE OF IRAN IN THE OPERATION OF ITS OIL INDUSTRY, AND (C) THE FREEDOM OF IRAN TO SELL ITS OIL ON OTHER THAN A MONOPOLY BASIS.

IT HAD BEEN OUR UNDERSTANDING THAT THE PROPOSALS WHICH WERE PUT FORWARD ON AUGUST 30TH MET THESE POINTS. THESE PROPOSALS CLEARLY RECOGNIZED THE FACT OF NATIONALIZATION AND DID NOT SEEK TO REVIVE THE 1883 CONCESSION, OR ANY CONCESSION, NEITHER FOREIGN MANAGEMENT OF THE INDUSTRY NOR THE EMPLOYMENT OF TECHNICALS WAS PUT FORWARD AS A CONDITION, OR EVEN SUGGESTED. THERE WAS NO INTENT TO PROPOSE A MONOPOLY OF THE PURCHASE OF IRANIAN OIL.

OTHER QUESTIONS EXISTED AS WELL, INVOLVING THE CLAIM FOR COMPENSATION BY THE COMPANY AND THE OTHER CLAIMS BY IRAN. WE SUGGESTED A METHOD OF SETTLEMENT OF ALL CLAIMS BY IMPARTIAL ADJUDICATION. THERE ARE DOUBTFUL OTHER EQUITABLE METHODS. IN REGARD TO THE QUESTION OF THE PRICE TO BE PAID FOR IRANIAN OIL, WE SUGGESTED THAT THIS SHOULD BE WORKED OUT BETWEEN PURCHASER AND SELLER RATHER THAN BY GOVERNMENTS.

REGARDLESS OF THE ACCEPTABILITY OF THE PROPOSAL OF AUGUST 30TH, IT IS A MATTER OF REGRET TO US THAT THEIR MEANING SHOULD HAVE BEEN MISUNDERSTOOD. WE HAVE TRIED TO CORRECT THIS BECAUSE OF THE IMPORTANCE WHICH ATTACHES TO OUR WORDS BEING UNDERSTOOD BY YOU AS THEY WERE MEANT BY US.

/SIGNED ACHESON/

[Signature]
The Position of the United States with Respect to Iran

1. For the reasons outlined above, the major U.S. policy objective with respect to Iran is to prevent the country from coming under communist control. The U.S. should, therefore, be prepared to pursue the policies which would be most effective in accomplishing this objective. In the light of the present situation the U.S. should adopt and pursue the following policies:

   a. Continue to assist in every practicable way to effect an early and equitable liquidation of the oil controversy.

   b. Be prepared to take the necessary measures to help Iran to start up her oil industry and to secure markets for her oil so that Iran may benefit from substantial oil revenues.

   c. Be prepared to provide prompt U.S. budgetary aid to Iran if, pending restoration of her oil industry and oil markets, such aid is necessary to halt a serious deterioration of the financial and political situation in Iran.

   In carrying out b, c and d above, the United States should:

   (1) Maintain full consultation with the U.K.

   (2) Avoid unnecessarily sacrificing legitimate U.K. interests or unnecessarily impairing U.S.-U.K. relations.

   (3) Not permit the U.K. to veto any U.S. actions which the U.S. considers essential to the achievement of the policy objective set forth above.

   (4) Be prepared to avail itself of the authority of the President to approve voluntary agreements and programs under Section 703 (a) and (b) of the Defense Production Act of 1950, as amended.

   d. Recognize
4. Recognize the strength of Iranian nationalist feeling; try to direct it into constructive channels and be ready to exploit any opportunity to do so, bearing in mind the desirability of strengthening in Iran the ability and desire of the Iranian people to resist communist pressure.

5. Continue present programs of military, economic and technical assistance to the extent they will help to restore stability and increase internal security, and be prepared to increase such assistance to support Iranian resistance to communist pressure.

6. Encourage the adoption by the Iranian Government of necessary financial, judicial, administrative and other reforms.

7. Continue special political measures designed to assist in achieving the above purposes.

8. Plan now for the eventual inclusion of Iran in any regional defense arrangement which may be developed in the Middle East if such inclusion should later prove feasible.