FROM: Tehran

TO: Secretary of State

No: 705, August 19, 7 p.m.

PRIORITY.

FROM HARRIMAN TO PRESIDENT AND SECRETARY.

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Pol in substance of remarks which I made at mtg between Brit mission and Iran negot comite this morning, as reported in my earlier tel today:

"Prior arrival Brit del I repeatedly stated, and Levy explained in detail, that:

(A) Iran oil industry in order to be able to sell its oil in world markets, must make arrangements with large organization that will make available transport and distrib for marketing Iran oil on world-wide basis. Iran cannot obtain higher income from its oil operation than other producing countries in comparable circumstances, otherwise, company will make such arrangements but will buy or develop oil in other producing countries. Brit interests are only ones that are in position to market large quantities Iran oil.

(B) Iran Govt, as it has stated itself, depends on for technical assistance for operation its oil industry within Iran, and must have continuous access to ever improving oil technology of world. I have constantly stated this technical assistance cannot be obtained thru employment individual technicians but that competent management org is required, working under contract for and on behalf of NIOC. This arrangement well known and accepted throughout world not only in oil industry but in other business relationships. Aside from Iran's need for management, technicians themselves would not come to Iran or any other country except under arrangements sat is to them. They are free men.

Brit proposals provide good basis for negot for fair settlement. They conform to formula, submitted thru me, under which Brit were asked to come to negot. Iran Govt in its reply has read into proposals concepts which were not intended. Brit proposals contemplated negot to work out specific arrangements under principles stated. Iran
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Govt has not so far undertaken such negot as was agreed in formula but rather has read into proposals certain conclusion re operations within Iran which were not contemplated by proposals and against which safeguards could be worked out thru discussion and negot. Iran Govt has now submitted reply which ignores my previous statements and is contrary well known commercial methods of internal supply and dist of oil.

US believes seizure by any govt of foreign owned properties without either paying prompt adequate and offset compensation or working out new arrangements mutually satis to former owner and govt, is not nationalization but confiscation. Iran Govt has made it clear it does not intend to confiscate, and I believe arrangements possible on basis Brit proposals which will permit Iran to realize its aspirations. Under such arrangement Iran will control its oil industry within Iran and will obtain very large income, so large as is possible to receive, which has been est by Brit Min to be about $20 million pounds on basis 1939 operations. Income this magnitude would make it possible for Iran promptly to carry out extensive development vast econ potential of country and thus improve health and welfare Iran people. US anxious assist in any way to these ends. Whole principle of US assistance however is to help other countries to help themselves. Collapse these negos will lead to further misery to Iran people and leave them no hope of getting their conditions which they so justly expect and deserve. Hon Truman asked me come Iran to help work out fair arrangement and I have earnestly urged with all frankness to give impartial advice thru which controversy old be settled in fair and equitable manner and thru which Iran old obtain max possible income.

Publication of statement handed last night Brit del wid further confuse already much confused Iran public as to facts interest oil business and real intent of Brit proposals. Earnestly hope publication this doc will be withheld and that it will be withdrawn or amended in such way as to permit nego on realistic basis. Its release wid compel me make public statement along lines of what I have said.

If am compelled to make public statement it will of course be more moderate in tone, leaving essentially intact substance remarks re commercial facts, confiscation and nationalization, and Brit proposals.

GRady

DES:HW

Note: Mr. Halla (OSI) was notified 6:20 p.m. 8/19/51 CWO/PED