MEMORANDUM OF CONVERSATION

DATE: October 30, 1951

SUBJECT: Iranian Oil Problem

PARTICIPANTS:
- Secretary of State, Dean Acheson
- Assistant Secretary AID, George C. McGhee
- R. G. Pelle, Chairman of the Board, Standard Oil of Calif.
- Sidney A. Deevers, President, Gulf Oil
- Dewey B. Jennings, President, Socony-Vacuum Oil Co.
- R. S. Hedges, Chairman, Texas Company

The above group representing the United States oil companies operating in the Middle East called at their own request. I opened the meeting by explaining something of the background of the Iranian oil problem, pointing out the short-sightedness of the AHO which had resulted in their getting into their present difficulties. I pointed out the complexity of the situation which was posed to the Department, particularly in view of our relations with the British. I stated that we have at all times sought to keep in mind both the importance of maintaining the continued independence of Iran and the impact of any action we might take on the U.S. oil interests in the Middle East which were represented by the group present, as well as on oil and business interests elsewhere.

Representatives of the group emphasized the very grave consequences of giving the Iranians terms more favorable than those received by other countries. They expressed the opinion that if this were done the entire international oil industry would be seriously threatened. The opinion was offered that even the loss of Iran would be preferable to the instability which would be created by making too favorable an agreement with Iran. Other representatives pointed out that not just the oil industry was involved but indeed all American investment overseas and the concept of the sanctity of contractual relations.

I advised the group that we would keep in mind the points they brought forth although we must, of course, give consideration at the same time to the other factors involved in the situation, including the consequences of the loss of Iran to the free world.