Memorandum of Conversation

Place: Blair House
Date: October 25, 1951

Presents: The President of the United States
Secretary of State Acheson
Prime Minister Mossadegh
Lt. Colonel Walters

The President opened the conversation by saying that he did not wish to go into the problems which had brought Dr. Mossadegh to the United States during lunch, because he wanted the Prime Minister to enjoy the lunch.

The Prime Minister replied that he had had a good rest and a good lunch, and was completely at the President's disposal for anything he wished to say.

The President said that we were vitally interested in seeing that a just settlement was reached on this problem. We were the friends of the Iranians and likewise the friends of the British. We had no national or private interest in the matter other than achieving a fair settlement.

Dr. Mossadegh replied that he knew this, and it was with this hope that he had come to Washington. The President then said that this was the fundamental basis of our thinking on this whole problem.

Secretary Acheson then said that the President had accurately set forth the situation that our only interest was in seeing this problem settled between our friends. He said that we had had, through Mr. McHone, a number of useful conversations with Dr. Mossadegh. If he understood the Prime Minister's thinking correctly from what had been reported to him, he believed that the fundamental point which the Prime Minister had in mind was that the British operation of the oil industry in Iran - with the possibilities that this gave for interference in the internal affairs of the country - must cease. On other matters, as he understood it, the Prime Minister was ready to come to a reasonable settlement.

Dr. Mossadegh stated that this was the case.

The President then asked whether the British had been informed of these talks. Secretary Acheson indicated that they had not. He said that we would respect the Prime Minister's confidence, and would never tell the British what he had said to us. Dr. Mossadegh expressed his appreciation for this protection of his confidence.
Dr. Mosadegh said that the United States had helped Iran in
some small matters, in particular projects such as locust control and
DDT, but had not given large-scale assistance to Iran, even though help
had been given to most of the other countries. He did not know what the
reason for this was. If some other help had been given with which he
was not familiar, he would like to know about it.

The President said that perhaps it had seemed to the Iranians
that what we had done had been small, but much of it had considerable
long-term significance in the development of the country. We had been
faced with the problem of helping almost the whole world. We had had
problems such as in China, where we had to try to see how we could help
without furnishing equipment to the Reds.

Dr. Mosadegh then said that he had come to the United States
not merely to talk about the oil question, but also about other assistance
to Iran. The Prime Minister said that the present situation in Iran, if
it were to continue for any length of time, would greatly endanger the
independence of that country and the preservation of peace.

The President said that we were well aware of that fact; that
there were problems throughout the area; in Kashmir, and now in Suez.
Russia was sitting like a vulture on the fence waiting to pounce on the
oil. That is why we were so anxious to get these problems solved. Our
only interest was in the well-being for all and the preservation of peace. If
the Russians secured this oil, they would then be in a position to wage
a world war. They are not in a position to do so now.

Dr. Mosadegh said he understood this, and that is why they
were asking the President and the Secretary of State to help them and
protect them.

The President said this brought us back to the situation of
first settling this major problem and then getting down to work on the
others.

Dr. Mosadegh said that the situation in Iran was extremely
grave; the armed forces and the police had not been paid for two months;
that in itself constituted a grave danger. The budget had a deficit of
some 400,000,000 tomanis. Poverty and unrest were prevalent throughout
the country. The school teachers earned 100 tomanis a month, or an
equivalent of $25. This was barely sufficient to pay for the rest of
one room a month. In consequence, many of them had become sympathetic
to communism and were spreading this idea throughout the school system.
Iran was a very poor country and the United States was a very rich
country. The Prime Minister said that though this was the case, he had
not come to beg, but rather to point out that after the solution of the
oil problem, there would still be difficulties, as the oil revenue would
not be sufficient to take care of all Iran's needs. The Iranian Army
presently had some 100,000 men. If the Iranians were to increase their
armed forces they would have to take men away from the farm, with a conse-
quently loss of agricultural production.
The President said that he understood that Iran had always been self-sufficient in so far as foodstuffs were concerned. The Prime Minister said that Iran was currently importing wheat. The President pointed out that this was due to a bad crop last year, and Dr. Mossadegh said that this was the case.

Secretary Acheson said that Iran was really a rich country.

The President said that he had had studies made in Syria, Iraq, Iran and the northern part of India, and it had developed from these studies that there were enormous potentialities of foodstuffs in this area if they were developed. He said that though Iran was smaller than the United States, its farm potential was nearly as great.

The President then said that in the United States in 1933 we had had a situation where there were 12 to 15 million unemployed, the farmers were desperate because of mortgage foreclosures. First, there had been the New Deal, then the Fair Deal, whereby a floor was put under wages, farm prices were fixed, rents were controlled, and other measures taken to remedy this serious situation. We had had to run for some time on a deficit, but around 1938 the situation had reached a proper balance and an equitable distribution of wealth. The President said that if the Iranians could settle this difference with Britain and take the necessary measures, they had enormous possibilities and we would be happy and willing to help them.

Secretary Acheson said that the President had put the case very well. The first thing to do was to obtain an equitable solution of this major problem, then take the measures which the President had indicated and the question of foreign aid would not present real difficulties.

The President said that he felt the Iranians could do these things and obtain a proper distribution of wealth, although he himself was no apostle.

Dr. Mossadegh said that he was happy to hear what the President had to say. The whole purpose had been to show that his problem was two-fold. One was to settle the oil question and the other to obtain help to increase production of foodstuffs.

Secretary Acheson indicated that he would see Dr. Mossadegh on the following day.

The Prime Minister then expressed his thanks to the President for having received him and given him this opportunity to discuss his country’s problems.