October 16, 1952

MEMORANDUM OF CONVERSATION

In Secretary Acheson's Suite
Waldorf-Astoria, New York

Present: Secretary Acheson
Mr. Mitre
Mr. Camille Gutt

Mr. Gutt began the conversation by describing the origins of his mission in Iran. He said that he had been requested by Dr. Mossadegh to advise Iran with respect to two specific issues: one relating to their Bank of Issue problems; the other relating to their tax problems, particularly their methods of assessing and collecting taxes.

He said that many reports had previously been made with respect to Iran. Van Zeeland had made a report, which he thought was not very good. The International Bank had made a report which he thought was really quite good. Others had made reports. He felt that the Iranians did not lack analyses by outside missions as to the nature of their economic problems. He felt that it was possible that Mossadegh really wanted the advice of someone who was neither British nor American with respect to the oil question. He had not been able through correspondence to make much progress in clarifying what it was Mossadegh wanted him to do. He, therefore, went to Teheran and had an extended conversation with Mossadegh.

Mossadegh told him that he wanted him to concentrate on Bank of Issue and tax problems and to advise him without having any staff. In discussing the matter with Mossadegh, Gutt had emphasized that one could not deal with Bank of Issue problems or with tax problems without coming up against the oil question. Obviously the security for any note issue could, in the last analysis, depend upon oil revenues. Similarly, taxes could only be collected out of earnings, which, in turn, depended upon a renewed flow of oil. Mr. Gutt, did have expert knowledge in the financial field, but there were specialized fields in which he needed staff assistance. Mossadegh finally agreed that he should recruit a small, but competent, staff and then return to Teheran.

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Project ALT. 624

By ALT. MLW. NAES, Date 6-15-43
Mr. Gutt said that being in Iran had given him a much firmer view as to Iranian attitudes than he had been able to get from just reading the reports. He became convinced that continued pressure by an economic blockade would never bring Iran to heel. Iran had the oil; the UK had the markets. It was essential somehow or other with a good deal of face-saving on both sides that a settlement be arrived at between the two.

Mr. Gutt said that he had stopped in London on his way to New York and talked frankly with the British; that he had decided not to go to Washington but was trying to get the people from Washington whom he wished to see up here to New York; that he hoped to recruit a former member of the International Bank of Belgian origin but who was a naturalized United States citizen, and whose name is Robert Triffen; that he was also trying to get a man by the name of Sol (?), who he said, is Finance Minister of El Salvador; and a Moslem. He had been looking for a Pakistani, but had not found the appropriate man. He said he proposed to talk to Gene Black in the hope that the International Bank could be persuaded to revive at least one of the projects which it had, at one time, been negotiating on with Iran. He said he had not appreciated the degree to which the International Bank was hated in Iran because of their having sent illegally, a Britisher formerly in the British Embassy in Iran, to tell the Iranians that the Bank would under no circumstances make any loans to Iran in the absence of an oil settlement.

Mr. Gutt ended up by saying that he hoped to return to Teheran about November 2; that he felt that there might not be more than one chance in a thousand to work out a settlement; but that he thought the dangers which would flow from the loss of Iran were so great that no stone should be left unturned in trying to find a solution. He said that he thought the British had always been one of the best steps too late in their handling of the Iranian matter.

The Secretary said that he entirely agreed with this analysis of the situation. For a period of years we had been urging the British to take the necessary actions promptly rather than delaying until it was too late.
As we now saw the problem, it could be divided into three parts. The first one was the settlement of the compensation and counterclaims issue; the second one was getting money to Mossadeq promptly; the third one was the development of a price and marketing formula under which Iranian oil could move to its former markets.

As to the first point, we did not feel that it would be possible to get agreement by the British and the Iranians on the ideology and principles underlying compensation. The British would clearly prefer to have the compensation issue decided by the International Court. Under those circumstances the Government would not be responsible for the figure finally arrived at. The Iranians also had difficult points with respect to their claims.

We felt that the only possible solution was a lump sum, settlement, either in money or in oil. Mr. Cutt said that he agreed entirely; that whatever compensation was paid would, in the last analysis, come from oil. He thought that a certain quantity of oil deliverable over a period of years was probably the best solution to the compensation issue.

The Secretary then discussed our thinking on getting money to Mossadeq. He said that we could make substantial amounts available as an advance against future oil deliveries. We thought we could do this through Anglo-Iranian or in other ways. Perhaps it would be possible for the British also to give or advance a certain amount.

There was then some discussion of the price and marketing arrangements under which Iranian oil might flow. Mr. Cutt said that he recognized fully that very little Iranian oil could flow into American markets on a continuing basis. He also recognized that the necessary tankers were controlled either by Anglo-Iranian and Shell or by the major American oil companies. The Secretary said there would be serious problems both with the UK and from the standpoint of our own Government if our larger oil companies were called upon to move the oil.

The Secretary asked Mr. Cutt what he knew of Dr. Schacht's position on this matter. Cutt said that he thoroughly disliked Dr. Schacht, quite apart from any connection he might have had with the German Government prior to the last war. He had told Mossadeq that he
would not accept the mission if Schacht was to be in Iran at any time while he was advising the Iranian Government. In fact he had put a clause into his agreement which provided that Mossadeq would not employ any other foreign economic adviser, either in that capacity or as an oil consultant while he, Cott, was carrying out his mission.

Mr. Hitze said that we were concerned with the time element. We felt that affairs in Iran were approaching a crisis and that it might be important to move promptly. Mr. Cott said that he fully agreed. He did not believe, however, that he could be in Iran prior to November 2, and he thought it would take two or three weeks after his arrival before he could report on the Bank of Issue and taxation problems and he hoped that he would have developed sufficient confidence for Mossadeq to ask him to address himself to the oil question.

Mr. Cott said that he thought it would be all right if we told the British that we had seen him and hoped that we would not discuss the conversation in detail.

He said that when he arrived in Iran he would communicate any ideas that he had either through the UN man in Iran or through Loy Henderson. He appreciated that Loy's channels of communication would be preferable if he wished to get any confidential message back to us in a hurry.

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