1. NSC 107/2, dated June 27, 1951, is the last definitive statement on U.S. position with respect to Iran. This paper acknowledges that it is of "critical importance" that Iran remain free and independent. Iran is also recognized as a "flexible objective" of Soviet expansion. Therefore, the U.S. must take all "feasible steps" to assure Iran's freedom and independence.

2. The paper considers the situation so critical that, unless remedied, the loss of Iran through a Communist uprising is a distinct possibility. By way of remedy, the U.S. should continue to support the Shah, extend military and economic aid, strive to coordinate with the British, and seek a settlement of the oil situation.

3. The U.S. shall discourage direct U.S. military intervention, except for the sole purpose of saving British lives and evacuating British personnel. Should the British use force against U.S. advice the situation would be so critical that U.S. position would have to await developments.

4. The U.S. remains responsible for the initiative in military support of Iran, but this policy shall be kept under review.

5. In the event of an attempted or actual Communist seizure of power, the U.S. and U.S. should increase their support of the legal Iranian government. Should the government ask for British forces, the U.S. would give full political support and consider the desirability and feasibility of military support.

6. In the event of complete Communist control, the U.S. position would have to await developments.

7. In the event of a Soviet attack, the U.S. would attempt to localize the situation and seek a peaceful settlement.

8. The U.S. shall examine with the British appropriate steps to deny Kuwait, Saudi Arabia, and Bahrain.

9. There is general agreement that the oil controversy must be resolved if the present situation, already more critical than envisaged in the NSC paper, is to be remedied. (Estimates of Iran's financial staying capacity range from four months, given access to sterling credits blocked by the British, to two months...
10. There is general agreement that broad strategic considerations limit the extent to which we may force the U.K. to terms for the purpose of achieving a compromise on the oil question. As put by one person, "there is no plan [for resolving the oil question] which we can afford to put forward which the British would not accept."

11. There is limited agreement that Mossadegh will have to be replaced before the chances for an oil agreement can improve. However, there appears to be some disagreement as to the advisability of backing an alternate candidate.

12. This disagreement, coupled with the underlying complexities of the problem, is reflected in the following: (a) The U.S., while attempting to coordinate its own strategy with that of the British, is seeking to maintain the role of a friendly third party, vis-a-vis the Iranians; (b) .

13. There is general agreement that U.S.-U.K. cooperation is of paramount importance, and as an overriding need to "keep Iran from going down the drain" by any means possible (still to be determined). At the same time, it is conceded that U.S., in the absence of any overall plan of approach to Iran or the Middle East as a whole, has been placed in the position of following policies consistent with those of the British, but without a clearly defined U.S. overall position, the possibilities of a coordinated U.S.-U.K. approach are limited.

14. U.S. military position has not changed substantially from that taken in NSC 107/4, par. 4 and 5. Military is still waiting for State's review of entire Middle East position before considering a change in that position. State's paper promised for early July, still missing.

Conclusions

15. U.S.-U.K. coordination, in terms of the immediate issues, is less than perfect. To a considerable extent, this seems due to the absence of an overall U.S. plan to (1) avert the contingencies foreseen in NSC 107/4 and (2) to meet those contingencies when and if they arise. ("We are playing it by ear.")

16. There is no disposition to understate the seriousness, complexity of immediacy of the Iranian situation. On the contrary, the disposition is, at the very least, to welcome assistance in dealing with the matter, and at the most, to look to NSC to deliver.
In the light of my discussions during the past 24 hours, it is my strong impression that the Director of PFR should take appropriate action to bring the Iranian situation before the board, with a view to undertaking the preparation of an overall plan.