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PRIORITY

SECURITY INFORMATION

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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, TEHRAN

264

DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

November 7, 1953

DATE

NOV -7 1953

REF :

58 For Dept. Use Only	ACTION <i>Not</i>	DEPT.
	REC'D 11-13	IN OTHER
	IPS-3	DC/R-1 EVR-5 OLI-6 E-4 NEA-4 PAI-4 NPS-3 ICS
		CIA-7 FOA-6

SUBJECT: Use of Material in American Publications Concerning Iranian Situation.

It has seemed to the Embassy that it is vital for the Zahedi Government to adopt a planned program of public information concerning the situation of the international oil industry, the position of Iran therein, and to be able to relate the present American emergency financial aid to the need for a prompt settlement of the oil dispute with Great Britain. Certain suggestions and proposals are being elaborated jointly by the Embassy and USIA which could be helpful to the Zahedi Government, which has asked for such suggestions in the informational campaign upon which it is embarking.

After some thought on the subject the Embassy believes it would be extremely useful for a publication well known in Iran to carry either an editorial or an article which would cover the points mentioned above and which could be utilized to very good effect in Iran. The Embassy therefore has drafted the attached statement entitled "Dilemma in Iran" which it would like to suggest to the Department could be utilized as soon as possible as the basis for an editorial or article in either one of the three American publications having most influence in Iran; namely, New York Times, Time Magazine and Newsweek. In view of the article's length, it might possibly be most advantageously used in the Sunday Editorial Supplement of the New York Times.

Loy W. Henderson
Loy W. Henderson
American Ambassador

Att
Enclosure
Statement entitled
"Dilemma in Iran"

Sci - 311058

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REPORTER

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ACTION COPY - DEPARTMENT OF STATE

The action office must return this permanent record copy to DC/R files with an endorsement of action taken.

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Returned to

JAN 18 1954

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DILEMMA IN IRAN

Of the sectors of the world giving headaches to our country's policy-makers few are as conspicuous as Iran. Willy Dr. Mosadeq, who nationalized the Iranian oil industry, expelled British oil interests and broke relations with Great Britain, before his overthrow nearly three months ago, attempted a policy of open blackmail against the free world. He took the position that there was no alternative to his regime except communism; that the United States, therefore, must decide whether or not: (1) his regime because of lack of funds was to fall and be replaced by a communist regime or (2) the United States would support his regime financially over an indefinite period of time.

By taking such a position he placed our Government in a dilemma. On one hand the taking over by Iran of communist would represent a serious threat to world peace; on the other hand the American tax-ridden public would certainly not tolerate the indefinite extension of American financial support to a government which, if it desired, could immediately obtain the funds necessary for its maintenance from the utilization of its own national resources.

The American Government attempted to solve this difficult problem by trying to persuade the two parties concerned to reach an agreement with regard to Iranian oil which on the one hand would assure the integrity of Iran and on the other would be in accord with principles of international intercourse which must be preserved if a free world is to survive. Dr. Mosadeq, unfortunately, refused to enter into such an agreement and continued as a right to demand American financial assistance in lieu of oil income.

When representatives of the free world would point out to Dr. Mosadeq that he was leading Iran in the direction of communism, he was accustomed to reply, "So much the worse for you."

Like politicians in other countries who bear great responsibility for the loss of the independence of their people, Mosadeq seemed to believe that he could cooperate with the communists to his own advantage and that whenever he desired, that cooperation could come to an end. He permitted the communist elements in Iran considerable latitude in stimulating hatreds between various groups of Iranians and in stirring up hostility against the countries of the free world. In the latter days of Mosadeq's regime it would appear that it was being transformed into a vehicle in which the communists would be able to hitchhike into power. By the early part of last August it had become clear that instead of Mosadeq using the communists for his purposes, they were using him for their purposes.

When the Iranian people finally realized the situation, under the leadership of those loyal to the Shah and to Iranian institutions, the forces opposed to alliance with or domination by the communists arose in wrath and enforced the firman of the Shah replacing Mosadeq by Zahedi. Thereafter the United States,

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aware of the chaotic financial and economic situation which General Zahedi inherited and which in great measure had been concealed from the Iranian people, decided to allocate on an emergency basis the sum of \$45,000,000 to help Iran with its serious immediate problems. This emergency aid has given the Zahedi regime a breathing spell in which to consider sensible possibilities for attaining a settlement of the oil problem, which would result in the resumption of the flow of substantial quantities of Iranian oil into the world markets.

The problems which Mosadeq has left for the new government in Iran to solve are numerous and difficult. Not only is the treasury empty and the budget out of balance, but the property of the state which Mosadeq's Government failed to keep in repair is in a deplorable condition. The upkeep of the railways for instance has been neglected. It is only with difficulty, therefore, that on some of the trunk lines trains are able to move at half their normal speed. Roads have fallen into disrepair. Public buildings are leaking and in some instances crumbling. The great Abadan refinery which in 1951 was refining more oil than all the other refineries of Europe, Asia and Africa combined has been idle for more than two years. Many thousands of its employees as well as employees of the oil fields themselves are still unemployed. In order to minimize discontent the Government has been paying their salaries from its budget. Iran, which was once one of the world's great exporters of oil, has lost its oil markets. Iranian oil has been replaced by oil from other Middle Eastern countries, who have taken advantage of the presence of effective and experienced oil production and distribution organizations to increase their production by leaps and bounds. Similarly, many refineries in Europe and Asia have replaced the refinery at Abadan. One of the most difficult problems for the new Government of Iran is that of finding ways and means of restoring Iranian oil exports.

With the advent of the Zahedi Government, there was the prospect of a more sensible and sober Iranian approach to the problem of the production and distribution of its great oil resources. Nevertheless from news reports being received from Tehran it appears that the familiar difficulty of obtaining speedy concrete action remains. The \$45,000,000 which our Government contrived with some difficulty in obtaining from its unallocated foreign assistance funds, will be exhausted within a few months in an effort to maintain the country's budget and economy on an even keel. Combined with this is the news that certain demagogic self-styled nationalists, who have no understanding or apparent interest in the complexities of the extraction, refining and distribution of oil, are beginning to criticize the Zahedi regime's first hesitant steps toward solving a problem which literally embodies the life-blood of Iran.

It is our understanding that American officials in Washington and Tehran are seriously concerned because so many public spirited and patriotic Iranian citizens do not seem to have a full appreciation of the time factor with which Iran is confronted. There seems to be a failure on the part of many of them to realize how necessary it is for them to stand behind their Government in a

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determined attempt to solve the most important problems of the country before the emergency aid which the United States has extended to Iran is exhausted. There seems to be a lack of understanding that although the American people have a deep interest in the welfare of the Iranian people and are anxious that Iran maintain its independence, they would however object to the extension by the American Government of additional aid to Iran unless Iran displays a willingness to enter into a mutually fair and reasonable agreement which would make it possible for the Iranian Government again to derive revenues from Iranian oil. It is hoped that the Iranian people as a whole will realize that only through a speedy settlement of the oil problem will the country have stability and again move along the road towards prosperity.

If the Iranian public could once understand how their country was being bypassed in the economic development of the Middle East, that the world does not need Iranian crude or refined oil resources to the extent of paying special benefits for them, and that its friend the United States and its other well-wishers would hardly be in a position to help Iran further in the absence of evidence that Iran was not doing all possible to help itself, a great and indispensable step would have been taken toward resolving the dilemma of Iran.

SECURITY CLASSIFICATION

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FORM DS-507
3-5-47

REQUEST FOR DECLASSIFICATION OR DOWNGRADING

DEPARTMENT OF STATE

SECTION A

TO: 1. ORIGINATING OR ACTION DIVISION AMEMBASSY TEHRAN-NEA/P SECRET	EXTENSION 2282	BUILDING N.S.	ROOM NO. 3268
2. REQUESTER'S NAME Elwood B. Acker	DIVISION NEA/P	EXTENSION 2282	BUILDING N.S.
3. DIVISION OF RECORD: DC/R, REF, PD, etc.			

SECTION B

ATTACHED
THE FOLLOWING DESCRIBED DOCUMENT APPEARS TO NO LONGER WARRANT ITS SECURITY CLASSIFICATION

TYPE OF DOCUMENT

Attachment No. 1 to Despatch 264

TO: Department DATE 11/7/53

FROM: Tehran

SUBJECT: Use of Material in American Publications Concerning Iranian Situation

PRESENT CLASSIFICATION
CONFIDENTIAL SECURITY INFORMATION

SECTION C

THE CHIEF OF THE DIVISION TO WHICH THIS FORM IS ADDRESSED OR A PERSON DESIGNATED BY HIM WILL REVIEW THE SUBJECT DOCUMENT AND INDICATE THE DESIRED CLASSIFICATION.

RETAIN PRESENT CLASSIFICATION <input type="checkbox"/>	CHANGE TO: <input type="checkbox"/> TOP SECRET* <input type="checkbox"/> SECRET <input type="checkbox"/> CONFIDENTIAL <input type="checkbox"/> RESTRICTED <input checked="" type="checkbox"/> UNCLASSIFIED *(If reclassified to a higher classification explain on reverse side).
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BY AUTHORITY OF: *Richard H. [Signature]* DATE 11-20-53 OFFICE NEA/P

SECTION D

- INSTRUCTIONS—(1) The requesting division will complete lines (1) and (2) of Section A and all of Section B of this form in duplicate.
- (2) Both copies of this form, with one copy of the document or documents to be downgraded or declassified, will be forwarded to the action or originating division concerned with the document attached where practicable.
- (3) The action or originating division will, if the contents warrant, declassify or downgrade the document by completing Section C of this form in duplicate and routing both copies to the division responsible for maintaining the official record copy.
- (4) The division that is the custodian of the record copy, upon receipt of this form, will file the original of Form DS-507, change the classification on the record copy of the document involved, and forward the duplicate copy of this form to the division initiating the request.
- (5) The division which initiated the request will note the action taken, make the necessary changes in classification of documents in its possession, and then route the duplicate of Form DS-507 to the Chief, Division of Security and Investigations (CSI).
- (6) In cases where the originating or action division wishes to initiate the declassification, the entire form will be completed and routed to the division maintaining the official record copy.

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