

CHAPTER 9 - THE NATIONALIST MOVEMENT IN IRAN AND NATIONALIZATION OF OIL INDUSTRY

The changes resulting from World War II, especially the new internationalism of the United States, symbolized by its leadership in the United Nations, whose charter preserved and sanctified the principle of the "Sovereign equality" of the members of the organization, endorsed nationalism throughout the world. The support given by the United States encouraged the nations of the Middle East to revolt against Britain and France.

As a result, Syria and Lebanon received their independence. The British were thrown out of Palestine, and lost India and Pakistan. The Egyptians pressed hard for the evacuation of the Canal Zone, Iraq asked for the revisions of her concession and treaties with the British.

In Iran, most young and educated people were ready to go through two revolutions: one, political revolution against foreign domination; the other, social revolution against interwoven poverty, disease, ignorance and a corrupt ruling class. In the political field, after the failure of the Shah's attempt at reform and the assassination of Razmara, nationalism became the decisive issue. The force of nationalist feeling fell on the issue of nationalization of the oil industry. In Parliament and in the streets, the advocates of nationalization rapidly gained the upper hand. The parliamentary oil committee, of

which Dr. Mossadegh was chairman, was not unaffected by these events. It adopted the nationalization proposal on March 8, and asked the Majlis to take two months to study ways and means for implementing it. On the 15th, the Majlis approved nationalization in a single-article bill, and the Senate approved it five days later:

"For the happiness and prosperity of the Iranian nation and for the purpose of securing world peace, it is hereby resolved that the oil industry throughout all parts of the country, without exception, be nationalized, that is to say, all operations of exploration, extraction and exploitation shall be carried out by the Government."

To British protests, the government of Iran replied firmly that the matter was entirely within Iran's domestic jurisdiction. Speaking to Parliament, British Foreign Minister Herbert Morrison stated that his government was prepared to take appropriate action to protect British lives and property, and the press reported movements of the British navy in the Persian Gulf.

In the meantime, important cabinet changes took place in Iran. After Razmara's death, the Shah called Hussein Ala, a moderate pro-Western statesman and former ambassador to Washington, to assume the premiership. Ala endeavored to soften the effects of nationalization by making it clear that Iran did not want to deprive the west of oil supplies. He rejected the British protests, declared that the company had not heeded changed world conditions and public opinion in Iran in presenting the supplemental agreement, that the Iranian parliament had adopted nationalization and a special oil commission was engaged in formulating proposals for implementation. At present the Government's

only obligation is to await the result of the commission's deliberations." The note also questioned the right of the British Government to intervene in a matter which was only the concern of the Iranian Government and the Anglo-Iranian Oil Company.

The refinery in Abadan was shut down on April 15, and on the 27th Premier Ala presented his resignation to the Shah. On the 28th, the Majlis voted unanimously the immediate seizure of the Company's properties in Iran; it also voted to ask the Shah to name Dr. Mohammed Mossadegh, of the National Front, Premier. On May 8, 1951, the company formally notified the Iranian Government that it requested arbitration in accordance with the provisions of Articles XXII and XXVI of the 1933 agreement and that on its part it appointed Lord Radcliffe as arbitrator.

On May Day, the day following Mossadegh's appointment to the premiership, the Tudeh, still officially outlawed, organized a mass rally in the parliament square in Teheran. A crowd estimated at 30,000 carried anti-Western and pro-Soviet placards displaying anti-imperialist slogans. Even Mossadegh, father of the nationalization law, was not spared some posters depicting him as a puppet riding in the turret of an American tank.

Throughout the crisis Russia seemed to play a waiting game; sometimes her press voiced support of Iran's struggle against foreign imperialism, and also her representatives in the U. N. Security Council backed Iran on certain procedural issues. By contrast, Iranian Communists eagerly seized the opportunity to advance their cause in the fall of the deteriorating relations between Iran and the West. On May 8, 1951, the emboldened Tudeh party addressed an open letter to the new prime minister

in which it formulated seven demands. These were:

- 1 - Expulsion of the United States military mission to Iran.
- 2 - Legalization of the Tudeh Party.
- 3 - Recognition of Communist China.
- 4 - Rejection of foreign arms aid.
- 5 - Release of political prisoners.
- 6 - An end to martial law in the southern oil fields.
- 7 - Nationalization of the Bahrein oil fields.

Also, in the following months the Tudeh organized a number of monster rallies and demonstrations which frequently ended in armed clashes with police or with the nationalist supporters of Mossadegh.

b. NATIONALIZATION Dr. Mossadegh was now Premier, and, undaunted, proceeded with nationalization. In the meantime the British Foreign Secretary, Herbert Morrison, sent a personal message to the Premier asking the Iranian government to refrain from unilateral action against the company and suggesting negotiations. To this Premier Mossadegh replied, on the 8th, that in nationalizing the oil industry the Iranian people were exercising their sovereign rights, but that under the articles of implementation, the Iranian Government was prepared to examine the company's claim. He rejected any arbitration on the issue of nationalization by declaring that nationalization of industries was the sovereign right of every nation "assuming that agreements or concessions have been concluded with persons or private companies in respect of these industries, and assuming that, from a juridicial aspect, these agreements and concessions are considered to be valid, the fact remains that they cannot form a barrier against the exercising of national sovereign rights nor in any

international office competent to consider such cases."

The British Foreign Secretary declared that the company was a British company registered in the United Kingdom, and that the Government owned a majority of the shares in the company. It was clear therefore that the British Government had the fullest right to protect its interests in every way it properly could. He intimated that should the Iranian Government not be willing to come to terms by negotiation, the British Government would bring the case to the International Court of Justice.

The American Government, however, was not willing to go along with this position. On the one hand, it urged the British to recognize in principle the Nationalization Law and to work out a plan which would not seriously disturb the production operations of the Company, and on the other hand it urged the Iranian Government to come to some sort of modus operandi with the Company on the basis of the Nationalization Law. On May 18, the United States made a statement as follows:

"Iran and Great Britain have such a strong mutuality of interests that they must and will find some way, through friendly negotiation, of reestablishing a relationship which will permit each party to play its full role in the achievement of their common objectives, through such negotiation it is felt that Iran's basic desires and interests can best be realized, the legitimate British interests preserved, and the essential flow of Iranian oil into the markets of the free world maintained."

This statement brought forth, three days later, a very strong protest from the Iranian Foreign Minister, who declared that while the American authorities in Iran were claiming that they were neutral on the oil issue, the United States Government was now throwing away its neutrality and advising the Iranians to negotiate. This advice was

incompatible with the Nationalization Law and therefore must be regarded as interference in the internal affairs of Iran. Five days later the United States replied that it had no intention of interfering in any way in Iran's internal affairs or with Iran's sovereign rights; however, the dispute between Iran and Great Britain had the potentiality of undermining the unity of the free world and seriously weakening it. This was a concern of the United States, and it believed that an issue of this kind could be settled satisfactorily only by negotiation between the parties concerned.

On May 20, the Iranian Minister of Finance stated in a letter to the Company that the Iranian Government had no other duty than to implement the Nationalization Law, and that the Government was not subject to arbitration. He invited the Company to nominate immediately representatives to attend meetings for the purpose of making arrangements for putting into effect the law relating to nationalization. On the 24th, the Company was warned that unless it appointed representatives within seven days to discuss arrangements for the transfer of its holdings, the State would proceed with its own plans to nationalize the Company's properties. That same day both the Company and the British Government asked the International Court of Justice to rule that Iran must arbitrate or be found guilty of violating international law.

Two days later the Iranian Government gave notice that it did not recognize the competence of the International Court to act in the oil dispute. At the same time, Premier Mossadegh told United States Ambassador Grady that unless the A. I. O. C. complied with the Nationali-

zation Law, it would be driven out of Iran by non-military means. The British Foreign Secretary, expressed the hope in the House of Commons that "wiser counsels would prevail in Iran and bring about the speedy settlement of the oil crisis." But at the same time he warned the Iranian Government:

"We have every right and indeed a duty to protect British lives in Iran."

On May 30 the Iranian Finance Minister informed the company's representative in Teheran that both the act of nationalization of March 15 and the implementation act of April 30 provided fully for the protection of the rights of all concerned. The Iranian Government was concerned inter alia with two fundamental matters: rights of previous purchasers and customers; and compensation for the damages caused to the Company by the internationalization of oil. As regards the former, Article 7 of the Enabling Law was quoted. As regards the latter, the Iranian Government expressed its willingness to deposit 25 per cent of the net oil revenues with a bank mutually agreed upon. The Foreign Minister's letter continued:

"In view of these premises it will be appreciated that the Iranian Government has absolutely not intended, and does not intend, to requisition the properties of the former oil company, nor does it propose to hinder the sale of oil to former customers."

At this juncture the President of the United States took a hand and addressed personal letters, on May 31, to both Prime Minister Attlee and Premier Mossadegh. Previous soundings in Teheran and in London had apparently convinced the President that if the British were willing to recognize nationalization, the Iranians would agree to a procedure of operations which would satisfy the British.

On June 3, 1951, the Company's representative informed the Iranian Foreign Minister, in reply to the latter's letter of May 30, that the Company and the British Government were ready to attempt to solve all difficulties by negotiation.

A basic issue in the dispute was the status of the British Government. From the beginning the Iranians took the position that the British Government had no standing, that the dispute was not between two governments but between the Iranian Government and a private company, and therefore the dispute was entirely an internal matter and any interference from the outside would be interference in the internal affairs of a sovereign independent state.

However, the May 30 letter of the Iranian Government was addressed to the Company and the invitation extended only to the Company. In his letter of June 3, the Company representative tried to insinuate the British Government into the negotiations, and on June 4 Herbert Morrison emphasized in the House of Commons that the British Government reserved the right "to interfere" in Iran, and that he did not accept the Teheran view that the actual dispute concerned only the Iranian Government and the Anglo-Iranian Oil Company.

But at the same day the three provisional directors of the National Oil Company of Iran left Teheran for the oil-producing province of Khuzistan, and after taking over the Anglo-Iranian Oil Company's properties in Ahwaz, they proceeded to Abadan, where they took over the offices of the A. I. O. C. and raised the Iranian flag over the Company's main building.

On the 14th, the first meeting between the representatives of the Company, sent specially from London, and the Iranian Government took place in Teheran. The Iranians demanded as a condition for continuing the talks that the Company agree to turn over at once to the Government all revenue derived from the sale of Iranian oil as of March 20, 1951, after deducting expenses and 25 per cent to guarantee the Company's probable claims. After consulting with London, the British representatives submitted counterproposals which were rejected by Iranian government.

The next day Herbert Morrison warned Iran that Britain would send troops to Iran to protect her nationals if their lives were in jeopardy. He also told the House of Commons that the Company representatives had been instructed to return to England, and that the British Government would seek an injunction from the International Court of Justice to preserve British rights in Iranian oil properties pending the Court's ruling on the action brought by the British against Iran.

While Iran continually challenged the competence of the International Court, the latter opened hearings on June 30, acting on a British request submitted on June 22, for the consideration of interim measures of protection. Great Britain's application stated that should the plans of the Iranian Government materialize, great damage would have been suffered by the A. I. O. C. even should the Court decide in favor of the Company. The interim measures were asked to prevent such damages.

The Court had before it a telegram from the Iranian Foreign Minister, addressed to the President of the Court, dated Jun 29, 1951, acknowledging the notification of the institution of proceedings by Great Britain

(May 26), as well as for interim measures (June 22), and denying the Court's competence to deal with the issue. The telegram pointed out: 1) that the 1933 agreement was only between the Iranian Government and the Company; 2) that the 1932 declaration of the Iranian Government on the optional clause of the Court excluded all questions that might have a bearing on the sovereignty of Iran; 3) that the United Nations Charter excluded intervention in matters pertaining to the sovereign rights of any nations; 4) that Article 36 of the Court's Statute limited the jurisdiction of the Court to cases referred to it, or treaties, or conventions, and that none of these were involved in the present issue.

On July 5, 1951 the Court issued an order. Basin itself on Articles 41 and 48 of the Court's Statute and Article 37 of the Rules of the Court, and stressing that the indication of temporary measures would not prejudice the question of the Court's jurisdiction to deal with the case, and that the object of interim measures as provided by the Statute was to preserve the respective rights of the parties, the Court indicated, pending final decision, the following provisional measures which would apply on the basis of reciprocal observance:

1) both governments to ensure that no action be taken which might prejudice the rights of the other party; 2) both governments to ensure that no action be taken which might aggravate the situation; 3) both governments to ensure that "no measure of any kind should be taken designed to hinder the carrying on of the industrial and commercial operations of the Anglo-Iranian Company Ltd., as they were carried on prior to first May 1951"; 4) the operations of the Company to continue under the direction of its management as it was constituted prior to May 1, 1951; 5) in order

to ensure the full effect of the above provisions by agreement between the two governments or by the President of the Court. The duty of the Board of Supervision was to ensure that the Company's operations were carried out in accordance with the provisions set forth above, to see to it that all revenue in excess of operating expenses were deposited in banks of its own selection, to be disbursed either in accordance with the decisions of the Court or by agreement by the parties.

Meanwhile, on July 1, the Anglo-Iranian Oil Company had ordered a 40 per cent cutback in the Abadan refinery, and on the 3rd had decided to transfer all field operations to the Iranians and to withdraw all British personnel from the oil fields to Abadan, for possible evacuation to Britain. A week later, the British Ambassador informed the Iranian Government that Britain accepted in full the recommendations of the International Court for interim measures. Two days later, however, the Iranian Foreign Minister, informed the Secretary General of the United Nations that because of the International Court of Justice's order of July 5, the Iranian Government had withdrawn its declaration of October 3, 1930, accepting the compulsory jurisdiction of the Court.

President Truman once again tried his hand. In a personal letter to Premier Mossadegh, dated July 9, 1951, he urged the Iranian Government to re-examine the recommendations of the International Court as a basis for settling the oil dispute. He offered to send W. Averell Harriman as his personal representative to Teheran, "to talk over with you this immediate and pressing situation."

As a result of intensive negotiations between the Iranian authorities and Mr. Harriman, at a joint session of the cabinet and the mixed parlia-

mentary committee, the following formula was submitted to Mr. Harriman on July 23, 1951, as the final view of the Iranian Government:

1. In case the British Government, on behalf of the former Anglo-Iranian Oil Company, recognizes the principle of nationalization of the oil industry of Iran, the Iranian Government would be prepared to enter into negotiations "with representatives of the British Government on behalf of the former Company." 2. Before sending representatives to Teheran, the British Government to make a formal statement on behalf of the former Company of its consent to the principle of nationalization of the oil industry.^{3- By the principle of nationalization of the oil industry} is meant the proposal which was approved by the Special Oil Committee of the Majlis and was confirmed by the law of Esfand 29, 1329 (March 29, 1951)." 4. The Iranian Government was prepared to negotiate the manner in which the law would be carried out, in so far as it affected British interests.

Mr. Harriamn volunteered to submit the formula to the British Government and flew for that purpose to London.

The British raised some objections in the proposed statement they were to issue in response to the Iranian proposals. After further discussions, with the intervention of the U. S. Embassy in Teheran, a compromise proposal was worked out and the British officially announced that Richard R. Stokes, Lord Privy Seal, would head the British delegation to Iran and would arrive there on August 4.

On August 6 discussions between the British and Iranian delegations commenced, and a week later Richard Stokes produced an eight-point proposal. The most pertinent points were: 1) the A. I. O. C. to transfer to the National Iranian Oil Company (N.I.O.C.) its installations, machinery, plant

and stores in Iran, and compensation for the assets in southern Iran to be included in the operating costs of the oil industry in the area; 2) a Purchasing Organization to be formed to provide an assured outlet for Iranian oil, and this Organization to obtain a long-term contract, of about twenty-five years from the N. I. O. C. for the purchase of very large quantities of crude oil and products from southern Iran; 3) the N. I. O. C. to make additional sales of oil provided this in no way prejudiced the interests of the Purchasing Organization; 4) in order to assure to the Purchasing Organization the necessary quantities of oil for its commitments, "the Purchasing Organization will agree with the National Iranian Oil Company on an Organization which, under the authority of the National Iranian Oil Company, will manage on behalf of the National Iranian Oil Company the operations of searching for, producing, transporting, refining and loading oil within the area. The Purchasing Organization will arrange from current proceeds the finances necessary to cover operating expenses"; 5) the Purchasing Organization to buy the oil from the N. I. O. C. at commercial prices f.o.b. Iran, less a price discount "equal in the aggregate to the profit remaining to the National Iranian Oil Company after allowing for the discount and for the costs of making the oil available to the Purchasing Organization;" 8) Iranians to be represented on the Board of Directors of the operating organization; non-Iranians to be employed to the extent necessary for the efficiency of the operations.

The Iranian cabinet rejected the Stokes plan and asserted that the Stokes proposals did not conform to the definition of nationalization of the oil industry, as stipulated in Iranian law, and which formed part of

the Harriman formula, for they took away from the Iranian Government a substantial part of the powers of management of the oil industry and would only "revive the former Anglo-Iranian Oil Company in a new form."

On August 21, Mr. Stokes addressed a note to the Premier of Iran, informing him that his eight-point proposal was withdrawn. However, he gave the Premier till twelve noon the following day to accept the principles he had outlined," which would make it possible for the British staff to remain in the refinery and oil fields," and he stated that he would be prepared to resume discussions.

The Premier, in his reply to Stokes of the same date, formulated the three issues involved in the dispute after the principle of nationalization was accepted: sale of oil to former customers; use of foreign technicians; and compensation.

So the negotiations were terminated and Mr. Stokes returned to England. On the 24th, Averell Harriman left Iran, and on the same day Premier Mossadegh wrote to him in reply to Harriman's exposition of the reasons for the withdrawal of the Stokes plan. From London came the announcement that the British personnel would be withdrawn from the oil fields, and that the British Government would pursue its case against Iran before the International Court of Justice.

On September 5, 1951, Premier Mossadegh threatened to expel from Iran all British oil refinery technicians, and the British took on their part began to adopt economic measures to force the Iranians to submit to British demands. On September 10 all special financial and trading facilities for Iran were withdrawn thus depriving her of practically all dollar exchange. All licenses for export to Iran of

scarce material, such as railway track, were revoked, and cargoes of such goods already en route to Iran were requisitioned.

Consequently, on September 25, the Iranian Government ordered the last three hundred British oil technicians in Abadan to leave the country before October 4; two days later Iranian soldiers took over the Abadan refinery and locked out the British technicians. Realizing the explosive nature of the situation, President Truman appealed to the Iranian Government to cancel its plan to expel the British technicians, and to the British Government not to use armed force to prevent the Iranians from carrying out their order.

On the 28th, the British announced that they would call on the Security Council to compel Iran to abide by the interim decision of the International Court of Justice and to stop the expulsion of the British technicians.

That same day the British representative at the United Nations addressed a letter to the President of the Security Council and the Secretary General asking them to place on the agenda of the Security Council "Complaint of failure by the Iranian Government to comply with the provisional measures indicated by the International Court of Justice in the Anglo-Iranian Oil Company case." With the letter, the British submitted a draft resolution calling on the Government of Iran "to act in all respects in conformity with the provisional measures indicated by Court and in particular to permit the continued residence at Abadan of the staff affected by the recent expulsion orders."

The Council took up the British request on October 1. Immediately a procedural wrangle developed. The Soviet Union maintained that what

the United Kingdom was asking the Security Council to do was to interfere in Iran's internal affairs, since the nationalization of the oil industry was entirely within the province of Iran's own affairs, and the complaint was therefore an infringement on the sovereign rights of the Iranian people and inadmissible for the Security Council to discuss. The other members of the Council, except for Yugoslavia, maintained that since there was a danger to international peace the Council must consider the complaint; without, however, in any way passing judgment on the substance of the case. A vote to put the complaint on the agenda was adopted, 9 - 2, and the issue was taken up by the Council.

Sir Gladwyn Jebb, the permanent British representative, argued that it was intolerable that one party to a matter laid before the International Court should be allowed to flout the Court's findings "and to impose unilaterally its own will in regard to this matter." After presenting at considerable length the substance of the case from its inception to the expulsion order, he urged: "By adopting the draft resolution which we have before us, the Security Council will make it plain that it is determined to uphold the rule of law in international affairs, to say nothing of the prevalence of reason; it will assert its authority not on behalf of the powerful against the weak but on behalf of intelligent progress against blind and unintelligent reaction."

Speaking for Iran, Ali Gholi Ardalan stated that since Iran had contested the competence of the Court from the very beginning, he was surprised to see that the United Kingdom was bringing the complaint against his country before the Council. Moreover, since Britain recognized the principle of nationalization, his Government believed that there

was no ground for discussion of this question in the Council. However, since the Council had decided to take up the complaint, Iran would be ready to argue the case, but at least ten days would be required to enable the representative of Iran to come from Teheran to New York. He therefore asked the Council to adjourn the discussion for ten days. This evoked opposition from the British delegate - for in ten days the issue of expulsion of the British staff would be dead, but in view of the opinions of the other members of the Council, Sir Gladwyn agreed to the postponement.

Premier Mossadegh flew to New York to present personally the Iranian case before the Security Council. He too, like the British delegate, presented the case in considerable detail, reviewing the tortuous story from the beginning up to nationalization. But his major legal argument was that the issue was purely an Iranian domestic affair, and that neither the Court nor the Security Council had any competence. So he rejected, in a strongly worded speech which ran for two days, any possible action by the Security Council on the British plan.

Premier Mossadegh, also, maintained that the Security Council was also not competent to deal with the question, and consequently he opposed "any draft resolution, however amended."

While the Soviet Union supported the Iranian position - that the question was an internal Iranian affair and therefore could not be interfered with by the Security Council, the United States delegate maintained that since the dispute was between states, as Iran's willingness to negotiate with Great Britain indicated, and consequently a danger to international peace was involved, the Security Council was competent

to deal with the issue. He declared that the United States would support the revised British draft resolution. The Iranian Premier, however, continued to argue that the Council had no competence since the dispute was not between Iran and the United Kingdom, but between Iran and the Anglo-Iranian Oil Company.

The death blow to the British re-revised draft resolution was delivered on October 19 when the French delegate stated: "It seems to me that the Security Council had better adjourn its debate on the draft resolution now before it . . . until the International Court of Justice has ruled on its own competence in the matter." Subsequently Yugoslavia withdrew her support from the British draft as amended by herself, and the British saw the handwriting on the wall. Sir Gladwyn declared:

"This minority (who doubt the competence of the Council) - there is no disguising of the fact - is sufficient in size to prevent the adoption by the Council of the greatly watered-down draft resolution which we have submitted . . . Therefore, since we cannot get the consent of the Council even to the greatly diminished draft resolution which we have submitted, so far as we are concerned we can only agree - and I hope that the whole Council agrees - to the intelligent suggestion just made by the representative of France."

But the Soviet Union objected even to the French proposal, and when the Council voted on the French motion, it was adopted 8 - 1 with 2 abstentions, the Soviet Union voting against, and the United Kingdom and Yugoslavia abstaining.

The attempt of the British to force the issue through the United Nations must be written off as a failure. The practical immediate issue of stopping Iran from expelling the British workers from Abadan was dead when the Security Council began to debate the matter. That Russia should fully support Iran was to be expected, but that the hesitation on the question of competency should so paralyze the Council as to make

it unable to take any action was certainly unforeseen. The British failed to obtain from the Security Council any resolution, regardless of how weak and conciliatory, which would have strengthened the British position. It would be no exaggeration, on the other hand, to say that although the Iranians could not boast of a victory, their experience in the Security Council made them if anything more determined than ever to resist any pressure by the British and to persist in their basic demands. In addition, the International Court, after a number of delays, and after hearing the statement of Premier Mossadegh oral arguments for Iran by Professor Henri Rolin, a Belgian international lawyer, and the British delivery and debate, ruled that:

"It is nothing more than a concessionary contract between a government and a foreign corporation. The United Kingdom government is not a party to the contract."

In concluding its reasoning, the Court declared:

"Accordingly, the Court has arrived at the conclusion that it has no jurisdiction to deal with the case submitted to it by the application of the Government of the United Kingdom dated May 26, 1951."

The Court's order of July 5, 1951 became inoperative.

The financial situation of the Government of Iran resulting from the cessation of oil royalties as well as from other measures of financial pressure applied by the British became more pressing as time went on, and Premier Mossadegh was as anxious - for different motives - as were the British and the Americans to start the oil flowing again. The Americans, on their part were eager to solve the oil problem and pull the British out of their ever-deteriorating position. Advantage was therefore taken of the presence of Premier Mossadegh in the United States, to hold conferences between the Premier and President Truman on October 23; on

the 24th between the Premier and Secretary of State Dean Acheson; and subsequently with Assistant Secretary of State George C. McGhee. These proved fruitless, and on November 13 the State Department announced that despite intense efforts, no new basis of settlement had been reached. Premier Mossadegh, realizing that all attempts at a solution had failed, appealed to President Truman for a \$120 million loan; all he could obtain from the President was a statement, on the 16th, that his plea for a loan would be considered expeditiously.

Also while Dr. Mossadegh was in Washington, neutral diplomats suggested that the International Bank for Reconstruction and Development might possibly assist in a settlement of the Anglo-Iranian oil controversy and act as an intermediary between the two member-states.

Dr. Mossadegh expressed willingness to have the Bank attempt to work out a solution which would be acceptable to all concerned, and Mr. Garner, the Vice President of the Bank, informed the British of his conversation with the Iranian Premier. While the Premier was in Washington the British did not react, but subsequently Garner held discussions in London with Foreign Secretary Anthony Eden and other members of the cabinet, as well as with officials of A. I. O. C. The Foreign Secretary indicated interest in having the Bank use its good offices.

In January 1952, a Bank mission - Rieber and Hector Prud'-homme of the staff of the Bank - visited Iran as guests of the Iranian Government and inspected the Abadan refinery and the oil fields.

The mission felt that for practical reasons, as well as because of the neutral character of the Bank, A. I. O. C. technicians would

have to be employed if the oil were to flow again. Premier Mossadegh, however, stated that while he understood the Bank's position, he must ask the Bank to recognize that under the current political tensions his Government could not agree to the employment of any British nationals. Even more difficult was the Premier's demand that the Bank state publicly that it would be operating the oil properties "for Iran's account." This the Bank felt it could not do in view of its neutral character. Another stumbling block was the price of oil. The difference between what the A. I. O. C. offered and what the Iranian Government demanded was so great that the Bank could not arrive at any practicable solution.

So, since no progress had been made in reconciling the opposing views on the major points at issue, it was mutually decided to adjourn the talks.