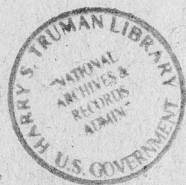


MR. NITZE:

in the view
You raised earlier the difference/between the British and ourselves; I think you could define it in this way basically: that it is obvious that the course of action which the British decided to pursue in Iran of letting the situation deteriorate until the Iranians were willing to yell _____? and ask Anglo-Iranian to come back. That created certain risks; the British were aware of this, as we were. The British had so much at stake here, both in terms of prestige and balance of payments, earnings in the oil company, that they were willing to take greater risks than we. And of course we, having spent billions of dollars through the Marshall Plan and Greek-Turkish aid program, in order to protect ourselves against similar risks, having the rich man's psychology of really being much more cautious and aware of danger and wanting to guard ourselves against it than the British, who have less to protect, were not willing to take that risk. It has turned out that Iran did not fall, but how/could we, who were responsible, have failed to take some action in light of the risks that we ran? If Iran had fallen, we would have spent the rest of our lives explaining why we hadn't done anything, and the Russians would have been at the north end of the Persian Gulf looking across/the Gulf at the oil fields of Saudi Arabia at Kuwait. We weren't willing to risk as much as the British were.

MR. HARRIMAN:

They had pride to protect, which they thought would affect them in other areas and in the Middle East generally. There is one thing of interest, though, when you talk about comparing the Turks. The Turks take great pride in the fact that they have always fought and kept the invader out; the --and this to some extent explains Mossadegh--the Iranians
Iranians/take pride in the fact that they have always survived--they have always lost but they have always survived every invasion. And they don't fight; they just let people come into the country and take them over. And that attitude is one which partially explains Mossadegh; it's an Iranian trait. They don't get up and fight. It was perfectly extraordinary--the incidents in history in which we would have said they were yellow dogs they



took great pride in. A conqueror came in and slaughtered thousands of their people and they were...

MR. ACHESON: They were there... (confused)

MR. FEIS: I think that must be in large part the answer to that first question I asked-- what Mossadegh thought about the Russians. As for the oil situation...

MR. HARRIMAN: ...they got down on their knees before the invader; they took great pride-- they weren't ashamed ~~that~~ at all that they hadn't fought with them; they just came to terms with them and killed everybody off but still they were still there...

MR. FEIS: There's only one thing--every month they postpone the oil settlement as far as pure oil, the industrial oil thing, goes--and I had a look at that not long ago--the situation gets more adverse for Iran every passing month. The existing fields in the Middle East grow in wholly available, low course capacity, and the range of exploration is extending every month. Within the last--George probably knows more about this than I do--but within the past year, serious exploration and drilling has been extended to Israel and Egypt and Turkey--Turkey has just revised its law--in Trans-Jordan, all through--in Ethiopia--you're going to get new fields in there as well as the standard old, so the position of Iran will be comparatively less satisfactory with each passing month.

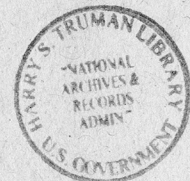
MR. ACHESON: I should think that must be true.

MR. FEIS: Whether they realize it or not; they must realize...

MR. NITZE: I think they realize it in part today...

MR. FEIS:so elementary...

MR. NITZE: And I think this in part explains why they are perhaps more disposed to do a deal than they ever were before. They've seen this thing now; they now know--every man, woman and child in Iran knows something about the oil business. I think they now, all of them to some extent see that they lost ground during this period; oil was flowing...



MR. HARRIMAN: (?) figures that they lost about half a billion dollars as against making the deal in '51.

MR. NITZE (?): People always said (confused)...this was going to be...(confused)

MR. HARRIMAN: ...an enormous sum, as I remember it, their total gross national product figure was around a little over a billion (million?) dollars... (confused)

MR. MCGHEE: This'll be an example to other countries to nationalize your oil; I've always felt quite the reverse--that this was an object lesson; this was the bad boy,

MR. FEIS: ...As far as Iran goes, this may make the situation more dangerous, because if the Soviet Union comes along with a big purchase offer of reconstruction oil, it begins to look more attractive to them; of course, the alternatives to this...

MR. MCGHEE: The Soviets, of course, have a surplus of oil and couldn't handle it from Iran anyway.

MR. FEIS: No, but unless they did it, you know, no way of doing it...

MR. MCGHEE: There's no way the Soviets could handle any Iranian oil.

MR. FEIS: Well, that I didn't know. Not even with their powers of (?) ?

MR. MCGHEE: Do what?

MR. ACHESON: George said the Soviets can't handle any Iranian oil.

MR. MCGHEE: They don't need it, because they have a surplus of their own...

MR. ACHESON: They would need it for fuel in time of war, wouldn't they?

MR. NITZE (?): Even less in time of war...

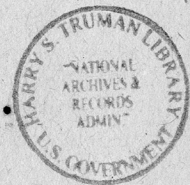
MR. HARRIMAN: They'd have to move it around by tanker; they haven't got the tankers to move it. It's utterly impossible to get it over the mountains...

MR. MCGHEE: You can build a pipeline over the mountains...

MR. HARRIMAN: You can. I don't want to say it's utterly impossible, but to require a modest investment...

MR. MCGHEE: It would be a matter of ten years and a tremendous investment...

MR. HARRIMAN: And it isn't like going there and taking some oil; they've got to build tankers; make an enormous investment in a pipeline, and then they would have



to make an enormous investment in tankers to take it across the Caspian...

MR. NITZE: (?) Well, this has a bad effect on the Iranian position; what effect does this have on the British position? They're the ones who won't get paid; in some of course the payment itself is unimportant but with respect to cases maybe ~~this is unimportant~~ the principle maybe it's worthwhile from their point of view having held the line, even though they don't get a nickel out of it, but what is the effect of it on them--I mean in terms of the possible settlement? This property itself is going downhill.

MR. ACHESON: I should think that the British would not lose. If you can imagine the earth opening up and swallowing all the oil in Iran, I think the British would be just as well off.

MR. MCGHEE: I think Anglo-Iranian are making as much money today as they ever have.

MR. GRAHAM: Their markets (confused)

MR. MCGHEE (?):in Kuwait, from the standpoint of crude...

MR. HARRIMAN: I think the British have lost, because the racketeers(?) are taking part of it in Kuwait but still others have; they've lost a good deal by it.

MR. MCGHEE: I think their stated profits now are the highest in history.

MR. HARRIMAN: The world as a whole hasn't suffered from it; it did for a short period.

MR. MCGHEE (?) They suffered acutely during the period they were buying dollar oil and ~~expensive~~ expensive pipes...

MR. HARRIMAN: For a short period.

MR. MCGHEE: But they've replaced most of the refining capacity in crude now, I believe, quite satisfactorily. They would like to recoup something from this investment they have, of course, and under this new arrangement the companies would acquire what virtually is in Iran the position of a concessionaire to other countries, although under the name of nationalization, will give Anglo-Iranian some compensation--the amount, I don't know. I think it's worth pointing out here the position of the Anglo-Iranian Oil Co. in this thing; I honestly think that one of the principal reasons for this whole difficulty was the anachronism in the British government which gives the

Anglo-Iranian Oil Co. the power that it has, because Frazier is much more powerful than any cabinet officer. And this derives from the fact that the British Government owns, but does not exercise control of, the company; it is sovereign and under no government. But in our country the government doesn't own the companies; the companies, although they run their own affairs know that there's a government above somewhere. But Sir William is stronger than the government.

MR. HARRIMAN: You mean the British government controls it on a '52 (indistinct)...

MR. MCGHEE: That's right; but since they control it and don't exercise control, that in a sense makes it (confused)...

MR. FEIS: Paradoxically, George, I thought that was true under the Labour Government but not under the Conservative...

(confused)

MR. MCGHEE:and the reason I thought I was talking to Averell is that ~~the~~ Labour Government was losing power; they were Labour men and were subject to great criticism if, as Labour men, they barged in and manhandled this company being run by very competent people, presumably, in the ^{British} Government. They lost several hundred million dollars of exchange, ^{which had hurt them great} ~~(confused)~~ so they were afraid to move into the situation, even more afraid than a Conservative might be under the same circumstances. I'll tell you an interesting insight: when I came to London after the whole thing was over, at a time when there wasn't much to be done, a few weeks after Ragmara was shot, and noone knew what to do. Strang arranged that I meet Sir William at his office, and he and I and Makins went to lunch. And so Frazier--I had never met Frazier before--Frazier opened up with some statement that he understood that we'd ^{somewhat} been/critical of him and his concept of this whole affair; I tried to brush it off and said, "Well, there were a few things in the past that we thought should have been done;" and he turned to Strang--Strang being his contact with the Foreign Office--the Directors of the Anglo-Iranian were appointed



by the Admiralty and the Treasury, not by the Foreign Office. The Foreign Office had no direct representation on his board; Strang was his contact at the Foreign Office. And he turned to Sir William and he said, "Sir William, you've never told me anything I've done wrong, have you?" And Sir William said, "Of course not, Sir William." This was actually after they'd lost the concession.

MR. JESSUP (?)

Sir, I wonder whether you felt the impact the anti-trust, criminal investigation was on making it easier or harder for the U. S. oil companies--making it more or less likely that they would do their share in the arrangement we were working out in the fall of '52.

MR. MCGHEE:

I thought it worked both ways ^{myself, because} insofar as they were concerned about that inquiry after the election, an arrangement under which they got a release seemed to me to guarantee one thing--that nothing* would come of the grand jury proceeding, and I was never clear that there wasn't a certain element of carrot in there that made the fact that that proceeding had been instituted perhaps helpful, insofar as it could be called off, because there were lots of reasons that they did not want to participate in this. They didn't particularly want to cut back on their own production, where they had concessions. They didn't particularly want to make it easier for Iran to escape a bad spanking; and one of the ~~few~~ things I seemed to sense in the few times I talked with them, why they were interested in talking was that a government-sponsored arrangement with one of those War Powers Act releases would have certainly cut any--cut Mr. Emerglink's (sp!?) down to the ~~ankles~~ ankles.

MR. NITZE (?):

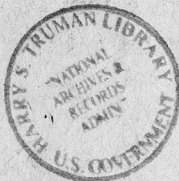
This is right; this is probably the carrot... *bait for the American companies.*

MR. ACHESON:

I think that's right.

MR. MCGHEE:

NITZE: I think it's worthwhile to point out that in a sense our difficulties were from the unlimited application of three principles: on the part of the British, the rule of law, with no exception; you just carried this out



fairly and without exception, covering the whole field. This was part of our trouble with the British. With the Iranians, it was the rule of sovereignty; there were no limits to what a sovereign nation could do. And to Mr. Emerglick (sp?) in the Anti-Trust Division, it was the infinite applicability of the anti-trust laws. People who got themselves just married to these concepts and couldn't see that there were any other concepts; this ^{really} was the essence of our problem.

MR. MCGHEE:

Well, of course, Paul, there are a couple things in that. I was never clear that the British weren't somewhat overstating the rule of law, particularly ~~in~~ with reference to the suits they threatened to bring against the private purchasers. The only two adjudicated cases were settled on that—one of them from the court at Aden, which held in favor of the Anglo-Iranian Oil Co., which is not particularly surprising in a colonial court, and the other in an Italian court, which went the other way.

MR. NITZE:

The one in Japan went the other way.

MR. MCGHEE:

Yes, that question—the Hague wouldn't recognize the case and the Security Council wouldn't recognize the case, so this original lofty British legal law position was found possible only in the court at Aden. I think Phil will agree when you get that case that we had involved in the hides requisitioned in Mr. Via, Edge (?) and several other companies' business, pretty well establishes that insofar as the suits to reestablish title to the oil (were concerned), certainly in an American court wouldn't have much chance. I mean the Supreme Court...

MR. ACHESON:

I think Paul was not saying whether their view was right or not or sound or unsound, but the whole attitude of the British Treasury was a legalistic attitude on this, because they thought it was essential to take that attitude to protect their foreign investment.

MR. NITZE:

Well, the other thing, back to the third point—Mr. Emerglick's intransigence. While agreed that he was not ^{personally terribly} ~~particularly~~ helpful, and while agreed he didn't



such motive in mind when he insituted that proceeding--quite different ones--
I think that the fact that the thing had been started might well have been
helpful in the event that having been started, it could have been called off
on proper grounds, and it made these fellows interested in doing ^{something} ~~what~~ they
might otherwise not have done.

MR. NITZE:

Well, I think that as long as there was a chance that this was going to be
done, they wanted in on it; they probably wouldn't have liked to have the
thing happen at all. But if it was going to happen, I think they all wanted
in on it.

MR. ACHESON:

We had a very amusing--not amusing, it was pretty painful/^{discussion} ~~amusing~~ one
afternoon when we got the Attorney General, the Secretary of the Treasury,
the Secretary of War, Chairman of the Joint ~~Staff~~ Chiefs of Staff, all
into the--and talked about getting these companies into this thing, and they
would have to have some kind of dispensation. And Emerglick was fighting
very strongly against any kind of a dispensation at all with the anti-
trust laws. And we pointed out that if we couldn't solve this thing and
it seemed the only way you could solve it was to get the American companies
to come in/ ^{in a way which} ~~which~~ must violate the anti-trust law, unless they had some ~~sort~~
labor on this. It was just insoluble; you couldn't possibly deal with it.
And the country might go to hell; the Russians would take it over, and
Emerglick said that he didn't think that that had any bearing on the national
interest of the United States, which was to enforce the anti-trust laws.
And Brad said, "Well, it'll have a good deal of effect on the national
interest of the United States, because if you move the Soviet power from
where it is all the way down through Iran to the Persian Gulf, the whole
burden of defense and the whole rearrangement of the strategic plans of
the United States are going to be pretty fast." And Emerglick listened to
this and said, "General Bradley, I don't agree with you." And to my great
surprise, Brad just said, "Oh, don't you?"



MR. NITZE: Oh, he was so mad^d that he was speechless. Of course, that opinion really made that performance so outrageous...

MR. HARRIMAN: ...~~was so extraordinary~~ so extraordinary how a fellow like that can get that kind of into/a position ~~like that~~ in the American government. We discussed that up and down.

MR. MCGHEE (?): Well, the thing that made the performance so bad was this: that ~~add~~ this was all dealt with on the basis of the Sherman Act and with no reference to the fact that there was on the books at that moment authority for a Presidential exemption when required for purchase under the National Production Act. Now it is true that authority giving exemption expired on June 30, 1953, but there was no serious question but what if an arrangement was entered into and workable there would be no problem in getting that extended. And yet this whole matter was discussed by a representative of the Attorney General in the Attorney General's presence without any reference at all to a statutory provision which made it entirely discretionary with the President to do exactly what the national security required. About as shocking a performance, I think, as you'll see in a good country mile.

MR. FISHER (?): What was that business about getting somebody who wasn't mixed up in the thing to sign something or other --some stage in there where you had to get somebody who had clean hands?

MR. ACHESON: Well, this was probably the Security Council...

MR. FISHER: No, it wasn't the Security Council...

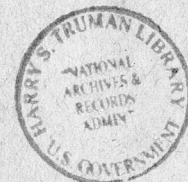
MR. ACHESON: Yes, this was...

MR. NITZE: Dean couldn't go to the meeting; I couldn't go to the meeting; Butch couldn't go to the meeting;

MR. FISHER: Oh, yes, that was it...

MR. NITZE (?): Bruce couldn't go to the meeting; Chip finally went...(confused)

VOICE: Chipps, oh yes...



MR. FEIS: (I wonder if any of you recollect?) various
(confused)...the fact that in 1943, Dean, myself and/others considered an
Anglo-American oil treaty? It might have helped...forestalled various
situations..

MR. ACHESON (?) It might very well have...

MR. FEIS: ...but it did not get...

MR. ~~McGHEE~~ (2) I worked on that for the FEA.

McGHEE:
MR. FEIS: Very probably...

MR. McGHEE: No, I guess it wasn't; I guess it was...it's basically...

MR. FEIS: I must say, George, looking back, I can recognize certain defects in the ?
proposal; we have lost ~~some~~ something--very much in the dark on matters which
have become very much clearer since...

MR. McGHEE: If you ask me, I don't know what economy blocked it; I don't think there was
any real opposition in Texas to it.

MR. ACHESON: There was; the independents were very strong...

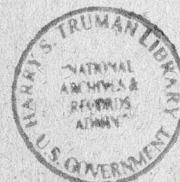
MR. FEIS: I have a strong suspicion that...(confused)...Roosevelt's...

MR. McGHEE: (?)that one company had caused the trouble? I hadn't realized it was the
independents...

VOICE: Yes.

MR. McGHEE: Paul, on January 20, 1953, were the British prepared to buy the package? I've
got the impression--I was still around until the 26th, because of the anti-
trust case and subpoenas in it--and Meeker came back from London about the
25th with the impression that he wasn't entirely clear that this arrangement
whereby the compensation was going to be ^{determined} ~~governed~~ by the International Court
of Justice, not acting as an International Court, but as private arbitrators.
That was not entirely acceptable to the British; is my impression wrong on
that?

MR. NITZE: My recollection was the other way; that they did agree to--we worked out a
language with them which covered the point you're talking about, which was
acceptable to them and which wasn't really the basis for the disagreement



with Mossadegh. The disagreement--when Mossie decided that this thing was just politically infeasible from his standpoint in Iran, and when he hoped to get a better deal with Eisenhower, the points that he raised were different points. One of them was this language, or the question of the basis on which the Court--the guidelines that the Court would accept in determining the compensation, whether it was the compensation for the termination of the enterprise or whether it was some other language which the British wanted.

MR. JESSUP (?): At some stage they had it arranged on a somewhat--an almost whimsical basis--sort of pick a law, any law, in which the Iranians had the right to pick any British nationalization law and then designate...

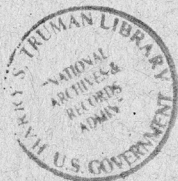
MR. NITZE: This was still after (?) ...

MR. MCGHEE: Of course, our position at the beginning was very weak for two reasons: one, of course the fact that the British had nationalized industry; but also the Mexican oil settlement, where our government viewed the oil companies as very weak and settled for fifteen million dollars when they wanted ten times that amount and did not recognize any...

MR. NITZE: We worked all this out with the companies; this is one of the things we went to Mossadegh with--and that was, if you used the Mexican settlement as a basis and took--I forget how many tons a year were involved in Mexico--but if you took the percentage, the right proportion for Iran, you came out to a figure of eight hundred million dollars for Iran. We actually got paid--the amount the Mexicans actually settled, if translated to the Iranian scene without adjustment for the increase in prices in the interval, would work out to eight hundred million dollars for Iran.

MR. MCGHEE: Well, you see it was complicated by the fact that production in Mexico dropped off because the companies who participated in nationalization hadn't kept up the oil property, but also...

MR. HARRIMAN: Well, no. It was on the basis of the Dutch oil, meaning the Royal Dutch,



it was on the basis of the Dutch as they existed when the nationalization took place.

MR. NITZE: But production had dropped in Mexico by the time that nationalization did take place, because the companies had let it drop in anticipation of it.

MR. MCGHEE: The principle of the settlement, as I recall, was no compensation for oil in the ground, only compensation for surface facilities. And if you applied that in Iran, you wouldn't get much out of it. There's quite a lot of difference between the value of the wells, all the Iranian...quite a difference

MR. HARRIMAN: Bocarini? worked it all out; we were working with him...

MR. MCGHEE: ...and ten billion barrels of oil in the ground, which would be worth ten billion dollars in America.

MR. NITZE: Yes, but it's in Iran.

MR. MCGHEE: Dean, will we have a chance to talk about some of the general points you raised? On the Middle East?

MR. ACHESON: Yes, right now.

MR. MCGHEE: I don't want to--you of course in your general presentation raised some extremely interesting points and I'd hoped there'd be an opportunity to discuss some of those...

MR. ACHESON: Let us take them up right this minute.

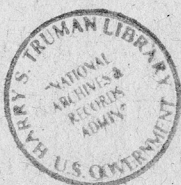
MR. MCGHEE: I don't want to terminate the Iranian thing unless...

MR. ACHESON: Oh no, I think we're pretty well through with it.

MR. MCGHEE: One thing that I think we should keep in mind is why we are interested in these Colonial problems. There's no question that we are basically interested because of the cold war and the fact of political instability creates areas of weakness to us which could be exploited by the Russians--that in a more normal world we would not necessarily concern ourselves with a great many of these issues which we now do. And even our traditional attitude toward colonialism I don't believe would lead us into taking national positions ~~in any of these operations~~



about a great many of these questions, apart, maybe, from our position in the UN; AND I think that's one thing we should keep in mind. Now, in taking the position that we do, which is basically to maintain the ~~status~~ status quo in the world, ^{because} although a change might be desirable, the process of change leads to instabilities; we get ourselves in very dangerous positions. If, say, the world had been frozen at any given period in the past, a great deal of the progress which has been made in the world would not be possible. If, for example, we had never been able to revolt against the British, or various other wars had never been fought to a conclusion, a great deal of progress would have been denied the world. And in a sense ~~EXISTENCE~~ one of the great problems of the UN--I don't know whether it's generally recognized--is to prevent wars from being fought out. It's very dangerous to stop a war from being fought out, because no one is willing to act like a loser. And there's no proof yet that wars which are not fought out can ever really be resolved by peaceful methods--the existing examples, the Arab-Israeli is one, Kashmir is another, are not very good of wars having been stopped artificially ever reaching any agreement by them. I think it would be a dangerous form of thinking that this present attitude of ours, which is dictated entirely by the cold war, could lead us into general recognition--approval of all the status quo in the world. Now, the Middle East I'd always analyzed is a great problem, mainly because it's the tag end of policies made elsewhere. No one really cares very much, basically, about the Middle East; you care about other things more. When you talk about the Middle East, the average person thinks ^{in terms} of Israel and the states adjacent to Israel. Turkey isn't really the Middle East; she disclaims it. Iran is quite a separate thing--you talk to the average person about the Middle East, they're thinking of the countries involved in the Arab-Israeli dispute. Now if you take the countries most closely involved, they aggregate very few people--empty people. And it is true that they live



in a strategic part of the world, but we are much more concerned about controlling the important strategic factors than we are about them. We want to hold the Suez; and there's no question of the basic reason the British want to keep a base in the Suez—I'm convinced it's against the Egyptians, not against the Russians. That's never stated, but it's always been fairly obvious to me. Our ^{main}preoccupation is to keep the oil flowing; and as long as we can do that we really don't care much about it. The Arab-Israeli thing is much more an internal political problem here than is-- the political problem created here in this country is more important than our desire to get a settlement, and no one will buck that problem to a degree sufficient to get a settlement. We may not like, for example, the aspects ^{left} of colonialism/in the Middle East, and then we ~~subsequently~~ may conclude, for example, that British colonialism left in the Middle East is indicated by her--say, what you might characterized their treaty positions in Iraq, Egypt and Jordan--that we are more interested in keeping friendly with Britain than we are in rectifying some position out there. When you get down to it, nobody really wants to get down and face these basic issues; you run into more difficult problems elsewhere in the world that are more important to you; and as long as the Middle East is the tag end of the policy--no one will ever really care whether Jordan is a ^{real} ~~country~~ country and Syria is not a real country--they're just little fragments which the British--which the Europeans created for their own convenience. And those problems are just going to go unresolved forever; and that's very nice, because it means that people can have colloquia about them and meetings and seminars and discuss them. But you never solve them that way because nobody ever really wants to solve them. (confused)

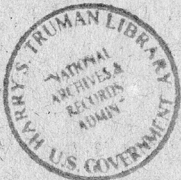
MR. NITZE:

...purely circular argument that George has advanced?

MR. GRAHAM:

It's the initial presumption that his position is correct. (laughter)

(confused)...fixed upon the status quo, is that correct?



VOICE: That's about right, George.

MR. MCGHEE: Well, where have we taken a position against the status quo?

MR. NITZE: We took a position against the status quo in Indonesia; we certainly did at ^{really} considerable immediate cost to ourselves, because we believed in it. We tried to take a position against the status quo in Indo-China; we finally got fouled up on this because it began to ^{cause} ~~raise~~ such great difficulties in Europe that we had to reverse our field somewhat. But that we have taken positions against the status quo seems to me to be absolutely true of ourselves and also of the British. The British did, after all, give India its freedom; this wasn't maintaining the status quo. We did, after all, give the Philippines their freedom; this wasn't a question of maintaining the status quo. The problem is to move in a direction which is a forward direction without creating greater difficulties for yourself and the people that you're liberating ~~without creating~~ in the process of so doing. Sure, you've always got problems. The fact that you've always got dilemmas ^{in these situations} involved is a fact; and the fact that you put greater weight on the more important end of the dilemma than you do on the lesser one is certainly also a fact. You wouldn't advocate the reverse, would you?

MR. MCGHEE: Well, in the case of India, of course, I think everyone would agree that the British could not have reasserted control...

MR. HARRIMAN: Oh no, this policy has been---I don't agree with anything you've said. I've g
.... Roosevelt started the policy during the war, with the idea only to break down ^{which was in force?} colonialism, which he used (?) at that time, and it had tremendous repercussions everywhere.

MR. MCGHEE (?): But we don't do it now

MR. HARRIMAN: Now whether the right way or wrong...

MR. NITZE (?): Sure we do it now---Indonesia is the last case that I know where we took..

MR. MCGHEE (?): Where would you want us to do...

MR. FEIS: How far is this.... (Very confused)



MR. ACHESON: ...one at a time. Go ahead, Herbert.

MR. FEIS: ^{assertion}
George, how far is this counter-~~assertion~~ wrong? That we ~~had~~ have stood
for a change in every situation except those where we anticipated that
the....

(END OF REEL)

