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### *Iran Political Developments 1954–1956: The Return of the Shah*

*The second title in a series on the political development of modern Iran: the return of the Shah to power*

#### Product Details

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This period of 1954-1956 is characterised by Iran's robust responses to the major internal and external issues and crises which had beset the country in the immediate preceding years. This included the repositioning of the oil industry as a state-sponsored entity, leading to a dramatically improved economy that empowered Iran, especially in the context of relations with Britain, as well as western Europe and, to a lesser extent, the USA.

The return to normal relations with Iran marked a decline in British influence, despite the Baghdad Pact connection: the British Government was excluded from oil talks, other than those specifically dealing with the AIOC compensation issue. The Suez crisis of 1956, with its failed Anglo-American invasion, was not particularly criticised by Iran, but clearly marked the demolition of the British position as senior allies, coming at the end of nearly 150 years of the Anglo-Iranian connection.

- A modern history of Iran explored through contemporary documents
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Selections from *Iran Political Developments 1954–1956* to follow.

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SECRET

P.O.(0)(53)90

COPY NO. 36....

November 5, 1953.

CABINET

PERSIA (OFFICIAL) COMMITTEE

MESSAGE FROM GENERAL ZAHEDI

Note by Joint Secretaries

We circulate for the information of members of the Committee the text of a message from General Zahedi, transmitted by the Swiss Minister in Teheran.

(Signed) T.R.D. Bolgrave  
D. Somerville

CABINET OFFICE, S.W.1.

November 5, 1953.

Message de M. Escher à Mr. Eden, Secrétaire d'Etat  
de Sa Majesté pour les Affaires Etrangères

(texte approuvé en tous points par le Général Zahedi)

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Le Président du Conseil vous remercie sincèrement du message transmis par mes soins le 11 octobre, et dont il apprécie la teneur amicale. Il est également désireux de voir les relations diplomatiques rétablies le plus vite possible, et approuve en principe votre suggestion de publier simultanément un communiqué à cet effet. Pour des raisons que vous comprendrez, il estime cependant que ce communiqué ne pourra être publié qu'au moment où une base d'entente sur la solution du problème du pétrole aura été trouvée, ou à tout le moins au moment où une première prise de contact prometteur aura été établie. Afin d'atteindre ce but, le Général Zahedi croit opportun que vous envoyiez à Téhéran un expert autorisé de parler au nom du Gouvernement britannique et de l'Anglo-Iranian, lequel s'efforcerait avec les autorités iraniennes de trouver une base d'entente. Pour garder le secret, cet expert pourrait se faire passer pour journaliste. Si cette proposition ne convenait pas, le Chef du gouvernement vous prie de lui faire une autre suggestion tendant à engager rapidement des pourparlers directs au sujet du problème du pétrole.

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GOVERNMENT)

SECRET

P.O.(O)(53)98.

November 14, 1953.

COPY NO.....<sup>36</sup>.....

CABINET

PERSIA (OFFICIAL) COMMITTEE

RELATIONS WITH PERSIA

Note by Joint Secretaries.

We circulate for the information of the Committee the text of four messages from Tehran (labelled H,I,J, and K) in which Mr. Henderson has reported the Persian reactions to the message sent in agreement with Mr. Hoover (P.O.(O)(53)97, also described as "London's message G"). Persian counter proposals are summarised in message ~~A~~.K.

(Signed) T.R.D. BELGRAVE  
D. SOMERVILLE.

CABINET OFFICE, S.W.1.

November 14, 1953.

SECRETMEMORANDUMMessage HNovember 10, 1953.  
1 p.m.

Mr. Henderson reports that as soon as he received London's message "G", he asked for an appointment with the Minister for Foreign Affairs, Mr. Entezam. In view of the fact that Entezam was having an audience of the Shah at 10:00 a.m. and Mr. Henderson, himself, was seeing the Shah at 11:00 a.m., Entezam asked Henderson to come and see him immediately.

In Mr. Henderson's conversation with the Foreign Minister, he followed the suggestions contained in Paragraphs 1 and 2 of London's message "G". The Foreign Minister stated that he would prefer not to make any comments until he had had an opportunity to discuss the matter with both the Shah and General Zahedi, adding that he would appreciate it if Ambassador Henderson would also discuss the matter with His Majesty. Entezam continued that after his audience of the Shah, he was seeing General Zahedi and would let the Ambassador know later whether or not it appeared that it would be useful for him to talk with Zahedi also.

In the course of the Ambassador's audience of the Shah, His Majesty told him that Mr. Entezam had described their conversation to him, and the Shah asked for certain details, which the Ambassador supplied.

His Majesty admitted that logically the British were right in insisting that the question of diplomatic relations should not have any connection with the oil problem and that there should be a resumption of diplomatic relations before an attempt were made to solve the oil problem. The Shah continued that the difficulty was that the emotions of the Persian public did not always follow logical lines, so that the problem was to find ways of satisfying both logic and emotions.

Considerable discussion ensued, as a result of which it was decided between the Shah and the Ambassador that the Shah would again discuss the matter with Mr. Entezam and that he would also have a word with General Zahedi. Mr. Henderson undertook to keep in touch with Entezam and it was agreed that consideration of the matter would be expedited in an effort to enable the Ambassador to send some kind of reply to London today (Tuesday) or tomorrow (Wednesday).

In talking to the Shah and the Foreign Minister, Mr. Henderson sought to stress that the time had come for Persia to make up its mind to resume diplomatic relations with Great Britain on a basis which would not specifically connect the decision to do so with the oil problem. Mr. Henderson made the further point that the Government of Persia should accordingly be devoting its energies to finding the best way of resuming diplomatic relations on this basis and preparing the Persian public for this development.

SECRETNovember 11, 1953  
11 a.m.MEMORANDUMMESSAGE "I"

Elaborating on his conversation with the Minister of Foreign Affairs Mr. Entezam, that he summarized in his Message "H", Mr. Henderson says that in spite of the fact that he did what he could to present the brightest possible picture, the Foreign Minister was greatly depressed at his account of developments at London. The Foreign Minister expressed the fear that the Government of the United Kingdom was basing its attitude on reports which it received regarding the internal situation in Persia from professionally pro-British elements. Mr. Entezam continued that if Her Majesty's Government were accurately informed they would realize that Persian sentiment was overwhelmingly opposed to resuming diplomatic relations unless there had first been some indications of an advance in the direction of a solution of the oil problem on a basis which would assure a substantial income to Persia from oil and at the same time not outrage nationalist sensibilities. Mr. Entezam was personally convinced that his country's only hope for survival lay in co-operating with the West and that such co-operation would be seriously affected unless there could be a resumption in the near future of diplomatic relations with Great Britain.

The Foreign Minister therefore thought that Her Majesty's Government should try to assist the Persian Government in working out some way of resuming relations which would not have the result of weakening the internal position of the Persian Government. In reply Mr. Henderson expressed his understanding of the Iranian Government's anxiety. He realized that it was not easy to take a decision of this kind but nevertheless it was now evident that no advance could be made in the direction of an oil settlement until the resumption of relations. It seemed to the Ambassador that since time was such an important element in the oil question, the Persian Government had no alternative than to resume relations immediately, and should accordingly devote all its efforts to seeing how such a resumption could take place with a minimum unfavourable effect on the Government's internal position. Mr. Entezam commented that the British were apparently not interested in the idea of sending an emissary to Tehran to discuss the oil question prior to resuming relations. Mr. Henderson reminded the Minister that the British Government could not recognize any connection between the resumption of relations and the oil problem but that perhaps the joint communiqué announcing the resumption of relations might be considered in such terms as to have a quieting effect on public opinion in Persia.

The Minister inquired whether such a communiqué might not indicate that an advance was being made in the direction of an oil settlement, to which Mr. Henderson replied that he was unable to speak for the British but doubted whether they would agree to a specific reference of this sort. Nevertheless, Mr. Eden might be willing to make some kind of a public statement that would be helpful, in fact it seemed to the Ambassador that the kind of statement that Mr. Eden evidently had in mind (paragraph 4 of London's Message "A") contained some extremely helpful remarks regarding oil.

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The Foreign Minister said that the problem appeared to be one of preparing the Persian public. Considerable conversation ensued and he finally asked Mr. Henderson if the latter thought the British would be willing to send a representative to Iran with the announced purpose of arranging with the Government of Iran for the resumption of relations. The announcement that such a representative was being sent would help prepare the Persian public.

The Ambassador told Mr. Entezam that he could not answer this question, that he was of the impression that the British had sent a representative to Communist China several years ago for the same purpose but that they might regard the Persian situation as quite different.

As previously reported by Mr. Henderson, it was then decided that Mr. Entezam would talk to the Shah and General Zahedi and that Mr. Henderson would mention the matter when he saw the Shah later in the day. In the meantime, Mr. Entezam said that his conversation with Mr. Henderson should be regarded as a personal and purely exploratory one and that he did not want to make any official comment until after talking to the Shah and General Zahedi.

Mr. Henderson continues that he is seeing the Foreign Minister again at noon. He adds that he has already reported his conversation with the Shah in his Message "H" and that in addition to making the points outlined therein the Shah had stressed that Iran was in a difficult position as it was facing three decisions, each of which was certain to produce powerful enemies for the Government. These decisions were: (1) the resumption of diplomatic relations; (2) what to do with Mosadeq; and (3) the dissolution of the Majlis and the announcement of new elections. The Shah continued that it would not be easy for the Government of Persia to withstand shocking public opinion if it should make two of these decisions simultaneously, whereas it would be foolish to make all three at once. Since the decision regarding the resumption of diplomatic relations with the U.K. could apparently not be postponed for very long and since the decision with respect to Dr. Mosadeq would have to be made immediately, it looked as though it would again be necessary to postpone dissolving the Majlis. The resumption of diplomatic relations would be opposed violently by anti-Mosadeq nationalists such as Maki, Baqai, and Kashani. If simultaneously the Majlis should be dissolved, these elements might go so far as to cast their lot, at least temporarily, with nationalist elements that were pro-Mosadeq and even with the Tudeh Party.



SECRETMEMORANDUMMessage J

November 12, 1953

Ambassador Henderson reports that when he called on the Foreign Minister at noon on November 11, he found Mr. Entezam to be still in a state of uncertainty. The Minister again emphasized how hard it would be for the Government of Persia to resume diplomatic relations without being able to show the public in that country some evidence of an advance in the direction of a settlement of the oil problem.

Mr. Entezam referred to the fact that he had been telling the public, in various statements which had been made by him under the instructions of the Government, that the resumption of relations must await some advance toward a settlement of the oil question. Therefore it appeared to him that if a decision should be taken to resume relations without evidence of such an advance toward an oil settlement he at least should resign.

Ambassador Henderson told the Foreign Minister that he was not in a position to speak for the United Kingdom but that he was confident that the latter would agree that in the joint communiqué announcing that relations were being resumed, or in a statement in Parliament by a British spokesman, some phrases of not too specific a character might be incorporated with the result of making it easier for the Government of Persia to answer its critics and thus rendering the Foreign Minister's resignation unnecessary.

Mr. Entezam again referred to the possibility that an emissary might be sent by Her Majesty's Government to Tehran to discuss matters. He told Mr. Henderson that in reply to inquiries which he had made to the Swiss Minister he had learned that the latter had not received any reaction to the suggestion that a British Government representative come to Tehran to discuss the principles of an oil settlement.

In reply Mr. Henderson remarked that he had already indicated that the British would not be willing to enter into discussions with the Persian Government relating to any substantive matters such as differences over oil prior to the resumption of relations and that, moreover, he doubted that the British Government would be willing publicly to send someone to Persia to discuss the resumption of relations in the absence of satisfactory assurances that such a mission would be successful.

Mr. Entezam commented that he was confident that the mission would be successful if each party would make a conscientious effect

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to assist the other in overcoming its difficulties. The Minister continued that perhaps after all it would be preferable for the British representative to come to Persia in secret, to which Mr. Henderson replied that it would not be easy to maintain the secret character of such a visit. The Minister said that even if some leak should take place, no great harm would have been done since the Government of Persia could merely say it had asked the British to send a representative to Persia to have a direct exchange of views regarding the resumption of diplomatic relations.

Mr. Henderson pointed out to Mr. Entezam that he would have without too much further delay to inform London as to the Minister's reaction to the idea of Mr. Eden's sending a message along the lines which Mr. Henderson and Mr. Entezam had discussed. The Foreign Minister replied that he would like to express his reaction through a counter suggestion that the United Kingdom at once should send a representative to Tehran, secretly if this were considered preferable to such views regarding the resumption of diplomatic relations.

The Minister asked if the Ambassador would summarise the former's remarks in the form of a telegram to London and show the draft telegram to General Zahedi and himself at a dinner which they were all attending that evening. Mr. Henderson then drafted such a summary which the Foreign Minister read aloud to the Prime Minister at the dinner table and which both said was an accurate reflection of their position. They added that they hoped that the next step would be for the British Government to be willing to send a trusted emissary to Tehran with whom they were confident they could complete the arrangements for establishing relations.

General Zahedi remarked that he hoped the British Government would understand that Persia was not attempting to obtain concessions regarding oil from the United Kingdom in return for agreeing to resume relations. All that the Persian Government desired was to try to join with Her Majesty's Government in finding phraseology that would indicate that a favourable atmosphere existed for achieving a fair and lasting solution of the oil question.

At the same dinner Mr. Entezam read aloud to General Zahedi and Mr. Henderson a copy of a despatch which Mr. Lang of the Sunday Times had just sent to his paper with reference to the resumption of relations and asked whether Mr. Henderson had any comments. Mr. Henderson referred to the fact that Lang had attributed to Mr. Entezam a statement along the lines that the resumption of relations would be facilitated by an indication by the United Kingdom that it recognised the nationalisation of the oil industry in Persia. Mr. Henderson suggested that the Persian Government should take care not to suggest conditions for resumption of relations which the United Kingdom could not meet, since he was confident that the British would not in advance of negotiations regarding oil make any statement which might weaken their position. The Foreign Minister replied that all that he had intended was to convey the idea that the British might make some statement indicating a conciliatory attitude. He had not had it in mind that the British, prior to resuming relations, should in so many words recognise the nationalisation of the oil industry.

A summary of the Foreign Minister's statement is going forward in another message.

SECRETMEMORANDUMMessage KNovember 12, 1953.

The following represents a summary by Ambassador Henderson of statements made to him by the Foreign Minister of Persia, Mr. Entezam, during their conversation at noon on November 11; Mr. Entezam asked for this summary and both he and General Zahedi have approved it as an accurate reflection of what might be the necessary move toward the resumption of diplomatic relations.

"Mr. Entezam had been giving much consideration to the question of resuming diplomatic relations and had had several talks with His Imperial Majesty and with the Prime Minister, General Zahedi, during the last two days on this matter. All were agreed upon the desirability of an early resumption of relations but the problem was to find a means of bringing this about without alienating large sections of the Iranian public. In the absence of some indication of an advance toward a settlement of the oil dispute the public would certainly interpret the resumption of relations as a capitulation by Persia to Western pressure. For this reason, the Government decided several weeks ago that an agreement on the principles of an oil settlement should precede or accompany the resumption of relations and had issued a public statement to that effect.

It would be extremely difficult for the Government of Iran to announce the resumption of relations, especially following the issuance of such a statement, without being able to show at least some progress toward a settlement of the oil question. Mr. Entezam was therefore wondering what Mr. Eden might think of sending an emissary who had the confidence of Her Majesty's Government to Tehran at once for the purpose of discussing this matter with General Zahedi and Mr. Entezam in an informal and frank manner. Given a friendly atmosphere as well as a willingness on each side to understand the other's problem, it might prove possible during the course of such discussions to find a way to resume relations without resultant embarrassment to either Government.

Mr. Entezam believed that until such time as an agreement had been reached and a joint communiqué prepared, it might be preferable for the despatch of this emissary and the ensuing discussions to be treated as secret. If, however, there should be a leak it could be explained that the emissary had been sent at the Persian Government's suggestion for the purpose of exchanging views regarding the resumption of diplomatic relations between Persia and the United Kingdom. If Mr. Eden should think well of this suggestion, the emissary could be sent immediately without further formalities. On the other hand, if Mr. Eden should prefer, a more formal suggestion along these lines could first be submitted by the Persian Government through the Minister of Switzerland."

(EP 1534/87)

FOREIGN OFFICE, S.W.1.

Secret

May 1, 1954.

*Dear Sir Roger,*

Your telegram No. 18 Saving of April 24 reporting your conversation with the Shah has naturally been of great interest to us. It seems particularly significant when compared with Henderson's accounts of his interviews with the Shah and Hussain Ala.

2. We are not certain how much Henderson told you of his interview with Ala. But the United States Embassy here have shown us almost the whole of his telegram although as I have said elsewhere, it would be better if you did not mention this. Ala attacked every single part of the Consortium's proposals with great vehemence, but, as we would expect when he was talking with an American, he laid particular emphasis on the impossibility of giving British nationality to the Group Service Companies. He also repeatedly warned Henderson that the A.I.O.C. with "the British-controlled" Shell group and the "A.I.O.C.-dominated" Compagnie Francaise des Pétroles would dominate the Consortium and would certainly push out the American Companies as soon as they could.

3. This last warning is perhaps the key to the matter. On the morning of April 22, Ala is trying to persuade Henderson that we intend to kick out the American Companies; and in the afternoon the Shah is giving you what seems to be the clearest hint that we could make some arrangement without the American Companies. This looks like a classic example of the invariable Persian tactics of trying to drive a wedge between us and the Americans, the more to be regretted because the Shah's attitude may be of critical importance. We may hope that your answer to the Shah disabused him of the idea that a wedge can be driven, but the Persians being what they are we cannot be confident. If he or anyone else makes the same suggestion again we would suggest the short answer that if the Americans should withdraw it could only be because the Persians were refusing to accept reasonable arrangements and we do not expect the other Companies to have any more interest than the Americans in unreasonable arrangements.

4. I might add that we have tried to puzzle out what (if our guess is right) the Shah and Ala were hoping to gain by a split between the Americans and us in this affair; and we can find no precise answer. Whatever emphasis the Shah and others may lay on the Nationalisation Laws, a genuinely multi-national solution seems almost as important to Persian presentation: British preponderance in any consortium would hardly do. Perhaps however there is no need to look further for a reason than the irresistible attraction that such wedge-driving holds for all Persians. The old advice may be applicable: never mind so much what the other chap has in mind; make certain that he knows what you have.

Yours sincerely,

*Jov* (R. Allen) *Mr. Buckmaster*

Sir Roger Stevens, K.C.M.G.,  
Tehran.

(BP 1534/83)

FOREIGN OFFICE, S.W.1.

SECRET AND  
PERSONAL

May 1, 1954.

*Dear Roger,*

In Harold Caccia's absence I am replying to your Personal and Secret letter No. 15327/3/54 of April 21, which contained some of your preliminary impressions of the way in which negotiations were going.

2. First, however, we have to congratulate you and your team on very satisfactory progress towards a payments agreement. Apart from your own efforts we have presumably to thank the sensible and practical, as distinct from political, approach of the Bank Melli. Our own impression was that the Persians were in fact reconciled to accepting sterling as the currency of the Consortium, and that their categorical objection to it was a bargaining manoeuvre designed to improve their position for the real argument on the extent to which we would give them convertibility. But whatever the explanation, it is very encouraging to have out of the way a point on which we might have had considerable difficulty and little, if any, support from the other parties to the Consortium.

3. On the debit side we now have the intervention of the Shah in the most unhelpful sense. The United States Embassy have shown us Henderson's accounts of his conversations both with the Shah and with Ala (please do not mention this, since the Embassy were apparently not supposed to). Reported in extenso, the conversations seem even worse than was indicated in your summary. We do not, of course, believe all that the Shah says. We realise that his pathological fear of the extreme nationalists and his constant tendency to compromise with them may well make him much more obstinate on the main issues than his own Government. But we cannot help wondering whether he is not putting the maximum pressure upon the Americans with, among other things, the object, which he seems always to have in mind, of extracting some more military assistance from them. On the other hand, we see very clearly the point which both you and Henderson have made in slightly different terms, that it will at best be extremely difficult for the Government to get the Majlis to ratify a settlement if there is any doubt whether the Shah approves it. We must certainly take his intervention seriously.

4. The current telegrams will have given you our views on British nationality for the companies; but on this I shall have one point to add later.

5. I can best explain our own general impressions and policy as follows. We have very little doubt that this is our last chance of getting a Persian settlement. This is not so much for the reason usually advanced that if we do not get a settlement Persia will collapse into chaos and communism. We

/have

Sir Roger Stevens, K.C.M.G.,  
Tehran.

have heard this often enough before. It may be true this time, though I am sure you will be the first to agree that Persian political developments are unpredictable. But we are as certain as we can be that if we do not reach a settlement now we shall soon find the Persians managing their own oil industry, not of course with complete success, but with enough to put out of the question any idea of our recapturing it. As you will have seen from the telegrams to and from Rome, our blockade of Persian oil is now on its last legs. There are many interests other than the Italians which would soon be in the field. There is no doubt whatever that the Persians can themselves produce crude oil, and we estimate that, failing a settlement, we should quickly find them exporting, entirely on their own account, something between 5 and 6 million tons a year. That we think would be sufficient to put the Persian industry as far out of our reach as the Mexican oil industry now is, and indeed it might have a worse effect on our other Middle Eastern oil interests than even a relatively unsatisfactory oil agreement. In our view, therefore, it will now have to be a very bad settlement before it is worse than no settlement. I cannot, of course, say whether such an argument would convince Ministers; but it is at least a stronger one than the debatable contention that we much reach a settlement to prevent a Persian collapse.

6. But even if it became Her Majesty's Government's policy that an agreement must at whatever cost be reached, we do not think that we have yet reached the time for any concessions, and certainly not for concessions on the purely British interests of compensation and British nationality. The Persians' first positions were clearly far removed from their final breaking points. They want a settlement; and we have nothing to lose at this stage by obstinacy. We have no doubt, therefore, that we can safely adopt what are after all only perfectly normal negotiating tactics of refusing to make piecemeal concessions, and indeed of making concessions only when we are quite certain that they are necessary and when we can see precisely what we shall get by making them. If any have to be made at all the first must obviously come on the questions of management and the method of payment to the Persians. (We assume that the Persians are in fact ready to accept a 50/50 division of profits and that it is the method and not the result which is in dispute.) The first object of the negotiations is to discover whether the Persians and the Consortium can agree to arrangements for the future operation of the industry and the crux of this question, management and financial arrangements, must inevitably be pursued first. The compensation negotiations will in any case proceed separately, and if arguments on the nationality of the companies should reach complete deadlock we can always reserve our position on it and leave it for settlement in the final haggle. Any concession on the nationality issue would, in any case, be a matter for Cabinet decision here.

7. I hope that this answers your question whether nationality of the Companies or compensation is the more important to us. We should not wish to decide this for the present. Apart from the general reasons of policy and tactics which I have

/given

given above, we think that it will be much easier to take such a decision, if we must, in the final stages. If we had an answer to the question: "Just how much more compensation will we get if we concede British nationality"? we might find the decision relatively simple.

*Yours ever*  
(R. Allen) /

SAVINGRAMBY BAG  
CONFIDENTIALSir Roger Stevens  
Saving telegram No. 3  
January 4, 1956.TEHRAN TO FOREIGN OFFICEAddressed to Foreign Office Saving telegram No. 3 of ✓  
January 4, 1956, repeated for information Saving to:-

Bagdad	No. 1	(S)
Beirut (DEVDIV)	No. 1	(S)
Ankara	No. 1	(S)
Karachi	No. 1	(S)
POMEF	No. 1	(S)
Washington	No. 1	(S)

The Minister of State Board of Trade had an audience with the Shah on January 3. I accompanied him.

2. The first subject discussed was development. The Minister took the opportunity to say how much he had been impressed with the energy, drive and imagination of M. Ebtahaj and the care with which he engaged consultants and contractors. He then referred to the importance of avoiding administrative delays, also mentioning that the practice of inviting too many firms to tender might in itself be a cause of such delays. He touched on the need to reach decisions quickly regarding the ordering of plant for the execution of the Mowlem contract emphasizing that he was concerned that progress should be made under this contract rather than pressing the claims of British plant manufacturers. The Shah did not seem to be particularly alive to the problem; at one point he said that there was inevitably a pause during the winter months but he hoped everything would get started in the spring.

3. The Shah then discussed Iran's financial problem with particular reference to the budget deficit over the next three years. He was doing what he could to increase revenue and decrease expenditure, but it was very difficult; Iran for example was saddled with 175,000 civil servants. The Americans were now showing a more understanding attitude towards Iran's need for budgetary assistance. The Minister referred at this point to Dr. Amini's visit to London saying that it had been explained to Dr. Amini that it was not our policy to put forward the claims of third countries to the U.S. but that we were proposing in this case to represent to the U.S. authorities the pressing and largely short term difficulties of the Iranian economy. The Minister also said that he would report to the Prime Minister what the Shah had told him about Iran's financial problem. The Shah appeared gratified and referred to the Prime Minister's forthcoming visit to Washington.



- 2 -

4. He then went on to say that he was concerned lest our friends would misinterpret western assistance in various forms to countries in this area which were still sitting on the fence politically. He himself understood the situation perfectly well but there was a danger that others might not. The Minister said that His Majesty was no doubt thinking primarily of the Aswan Dam and he explained the exceptional circumstances surrounding this project. The Shah said that he fully understood the importance of keeping the Russians out of Egypt and he also referred to Anglo-Soviet commercial competition for the building of a steel mill in India. What worried him was that the impression should be created among countries in the area, and particularly the smaller Arab states, that it paid better to blackmail the Western Powers than to form alliances with them. The Minister said that Her Majesty's Government had these points very much in mind and thanked the Shah for expressing himself frankly on the subject.

5. The Shah next spoke of the benefits in the form of co-ordination and joint planning which he hoped would be derived from the Bagdad Pact. He said, *inter alia*, that he thought the Iranian Government might benefit by learning from the experience of the Iraqi Development Board. He was particularly interested in close cooperation and future commercial relationship with Pakistan. He thought that in the future, there would be scope for Iran to sell oil, coal and minerals to Pakistan seeing that Pakistan was short of these products and her development plans were concentrating largely on irrigation and agriculture. The Minister said that during his visit to Pakistan a year ago he had himself learned that the Pakistani Government also attached importance to the development of close relations with Iran; and he welcomed the Shah's views on the economic side of the Bagdad Pact.

6. The Shah then said that he was greatly impressed with the mining possibilities in the neighbourhood of Kerman and he would like to see British experts conduct a survey of mineral resources in that area. The Minister said he was sure we would try to cooperate if the Shah invited us to do so. The Shah explained that he had in mind the possibility of a survey being conducted by some British mining concern which would be interested in investing in the exploitation of minerals in the area, possibly on a joint basis. The Minister said that this was an important suggestion which he would certainly wish to follow up on his return to the United Kingdom.

7. Speaking more generally of investment the Shah said he hoped British firms would feel able to invest in the Iranian economy and that they would regard it as a good and safe field for investment. The Minister explained the economic reasons why this was a difficult time for additional overseas investment from Britain. He hoped, however, that this would only be a temporary condition and that in some suitable cases British firms might be able to establish partnership with Iranians in new or existing industries.

8./

- 3 -

8. The Shah also referred to his project for distributing pharmaceutical products through the Royal Charities and said that he hoped some British firm like the Imperial Chemical Industries might be ready to assist by engaging in the manufacture of a wide range of pharmaceutical products in common use in Iran. He thought that there would be a large and growing market. The Minister said that he had already been made aware of this proposal to buy pharmaceuticals in Britain and understood that a representative of the Royal Estates was now visiting London. He undertook to follow up both questions.

9. Referring to the port situation, the Shah said that he had appointed a first class man, Col. Ali Akbar Zargham, Director General of Customs and he understood that this had already resulted in doubling the intake of the port at Khorramshahr. He suggested that it might perhaps be ascertained during the course of the Economic Committee's meeting in Bagdad whether Iran's port capacity could be supplemented by imports through Pakistan and Iraq.

10. The Minister asked the Shah if he would like to send someone to visit the Port of London Authority and discuss with them the problems of port administration. The Shah said he would consider this.

11. In conclusion, the Shah spoke warmly of the relations now existing between the United Kingdom and Iran referring gratefully to the £10 million credit.

12. The atmosphere was noticeably cordial, as it has been also in the case of Mr. Low's interviews with Iranian Ministers. No request has been made or implied for financial assistance in any form.

RESTRICTEDFROM TEHRAN TO FOREIGN OFFICE

Cypher/OTP

DEPARTMENTAL DISTRIBUTION

Sir R. Stevens

No. 20

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January 10, 1956

R: 2.30 p.m. January 10, 1956

RESTRICTED

EP 1941/66(2)

My telegram 581 of August 19.

Press reports today that Prince Abdur Reza (see personalities list (1955) page 3(ii)) and his wife have arrived in London on a private visit.

2. We had no previous knowledge of the timing of this visit and no reason to suppose visit is other than private.

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Succession to the Iranian Throne

Last night I called on the Shah's half-brother, Prince Abd-ur-Reza at Claridges Hotel. Earlier in the day he had tried unsuccessfully to contact me by telephone. I knew both him and his wife fairly well when in Tehran.

2. They are both on their way back to Iran after being away for four months on a big game expedition in East Africa. After having told me what a good time he had had and how helpful the colonial authorities had been, he launched into his pet theme of the need to clear up the uncertainty regarding the succession to the Iranian throne. He was aware of the Shah's recent move to get Prince Ghulam Reza nominated (Tehran despatch No. 142 of December 13). He talked at considerable length of the dangers both internally for Persia and externally for the West if something were to happen to the Shah and there were no accepted heir-apparent. Although he did not say so in so many words, the gist of his argument was that he was the only possible choice. This is an old record which he has played every time I have met him privately.

3. I confined myself to listening and when he specifically asked me for my advice, said that this was an internal matter for the wise men of Persia to decide.

4. The Shah is particularly jealous of Prince Abd-ur-Reza's activities and I think we should avoid making an official fuss of him here. He plans to be here until January 20 and may well try to see Mr. Shuckburgh on his return from Washington, or even a Minister. I advise against this. I also suggest that you should let Sir Roger Stevens know of the line we have taken and of anything we may know of the Prince's activities while over here so that he can allay any suspicions that the Shah may have that we are playing politics with his half-brother.

5. The Prince mentioned that the Earl of Hardwick (who was in Tehran in 1953 trying to corner the caviar market) had been in touch with him and that he expected to see him to-day. He mentioned no one else to me.

*Jan*

January 11, 1956.

Mr. Riches

S E C R E T

10114/2/56.

British Embassy,  
TEHRAN.

January 31, 1956.

*Dear Riches,*

I enclose a copy of an office minute recording my conversation with the Shah on January 28. I normally make a record of this kind for our own purposes quite apart from any report that I may make by telegram, despatch or letter on points which call for action or wider consideration. In this case, though the conversation ranged widely, I do not consider that there were any such points, (though I am giving a very general impression of the audience by Savingram,) and for this reason the enclosed record may be useful to you as background and for conveying something of the atmosphere in which the talks are conducted as well as giving an indication of the workings of the Shah's mind.

2. I shall be glad to know, for future guidance, whether you would like to have for your own information similar records in the future. When I was in London last summer, Evelyn Shuckburgh told me that my reports of audiences with the Shah, which up to that time I had frequently sent by Savingram, were too detailed and tended to give too much a blow-by-blow account of the conversation. I fully accept this criticism so far as telegrams and other documents for general (including ministerial) circulation are concerned and I propose, in future, to be more sparing with regard to reports in this form making them only when important points are made or action is called for. It still seems to me possible, however, that you might find, at least for a time, that our office records of these conversations are useful to you personally and for departmental purposes. I could arrange to send them to you regularly on the understanding that they were purely for background and that anything which seemed to require wider circulation would be dealt with separately, even if this involved some duplication.

*Yours ever  
Roger Stevens*

D. H. M. Riches Esq.,  
Foreign Office,  
Eastern Department,  
LONDON, S.W.1.

MINUTERecord of H.M. Ambassador's audience with His Imperial Majesty on Saturday January 28, 1956

I had an audience with the Shah at 3.30 p.m. on January 28. We talked for one and a half hours. The Shah seemed very confident and cheerful and the general tone was unusually easy and friendly; indeed we slipped so casually from one topic to another that the conversation is singularly difficult to record. I was particularly struck by the fact that almost for the first time there were no innuendos of suspicion (even the attribution to others of suspicion of British policy) or any muck raking over the past. He did not ask for help in any form or discuss territorial guarantees.

2. I opened the conversation by saying that I believed that some time before my return the Shah had asked for some information and advice connected with his visit to India. I was not yet quite in a position to talk to him about this but hoped that I could have another audience shortly before his departure. To this he readily assented.

3. Since he seemed to have nothing in particular to say to me, I thought I would show him for once that he was not the only one who listened to the B.E.C., and steal a march on him if I could. I therefore said that I had just heard two items of news showing how everybody was getting busy for the Eden-Eisenhower meeting in Washington. The French had issued a most surprising statement critical of the Bagdad Pact; and the Egyptians had summoned a meeting of the Arab League to discuss their relations with Iraq. I had also heard a local report which might well have reached his ears, that an effort had been made by the Saudis to bribe the Iranian press to publish articles attacking the Iraqi Minister; I understood, and was pleased to hear, that these attempts had been frustrated. *Prime* was difficult to tell how much he knew about the story.

4. We then went on to talk about the Washington meeting. The Shah asked anxiously if Mr. Low would have seen the Prime Minister before his departure. It was evident from the way he spoke that his principal interest in Washington at the moment was financial aid. He said that the U.S. Ambassador at his last meeting with him had been more hopeful and the Shah had again emphasized the desirability of discriminating between blackmailers and friends in the apportionment of aid. I told the Shah that I was sure that the Prime Minister and the Foreign Secretary would do their best, within the limits they thought proper, to support the Iranian case.

5. I then asked him point blank how much importance he attached to the United States joining the Bagdad Pact at an early date. He said that it would naturally be useful but would rather have help from an America which stayed outside the Pact than none from one which came in.

6. We talked about the Arab World. The Shah asked me how he knew that the Egyptians had been putting it about that the object of the meeting of British Middle East Ambassadors in London early in January was to enable Her Majesty's Government to show her attitude towards the Bagdad Pact. He added that the Egyptian Ambassador in Cairo had been assured by Sir Humphrey Trevelyan that the British Government would not support the Bagdad Pact.

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that there was absolutely no truth in these stories. I said that I had never heard such nonsense in my life. If the Bagdad Pact had been prominently discussed at the London meeting my colleague in Ankara and I would certainly have been invited to attend.

7. The Shah showed some curiosity about Anglo-American differences about Byrami and Saudi Arabia generally and wondered what the outcome of the Washington meeting on these issues would be. He also cross-examined me a good deal about events in Jordan during December 1955 and after hearing what I had to say said that my account tallied closely with his own impressions. He wanted to know what I thought would happen next. I said that I did not see Jordan coming into the Bagdad Pact in a hurry and I fancied that our present thinking probably was that the greater question absorbed the lesser, namely if, difficult as it was, it were possible to get some solution of the Arab-Israel dispute, then the whole question of Jordan's position in relation to the Pact and the rest of the Arab World would fall into place. The Shah said that he fully agreed and mentioned that M. Hammarskjold had obtained the impression that the principal parties to the dispute wanted to bring it to an end if possible.

8. I asked the Shah if he could tell me anything about the Iranian Parliamentary delegation's visit to Moscow. He said that he was annoyed that M. Saed had said so many polite things about the Soviet Union. He really thought that it was quite unnecessary and it had made a bad impression. The Russians had done their best to give the Iranian delegation the impression that they had a secret link with the British, pointing to articles like that in the Observer attacking the Bagdad Pact. He thought that the delegation had been impressed with the long term strength of the U.S.S.R. and its enormous industrial potential. He wondered whether particularly if the Russians developed their light industry, a large Russian export surplus achieved through systematic dumping would not be one of the principal dangers of Russian policy in the future. It was because he believed that it might well be that he thought it necessary for under-developed countries like Iran to have some industrial development of their own, so that they could afford, at least to some extent, to dispense with what the Russians offered or foisted upon them. For this reason, for example, he was anxious to see a steel industry develop here. If it were for Iran only it would be uneconomic but in conjunction with Iraq it would be more practicable. M. Ebtehaj had discussed this with the Iraqi authorities after the Bagdad Pact Economic Council meeting. I said that I thought the best line for industrial development in Iran was above all in industry relating to the processing of agricultural products. I was sufficiently of an old time free trader to deplore the development of industries which had no roots in the soil so to speak, purely for purposes of self sufficiency.

9. I reminded the Shah that during Mr. Low's visit he had shown an interest in obtaining a reliable British firm to look into mining possibilities, particularly in the province of Kerman. Events had moved even quicker than I anticipated. As he knew, representatives of the Anglo-American Corporation (S. Africa) were now in Iran and the speed of their arrival was an indication of their interest. Everything, however, really depended upon the results of the preliminary tour by the technical team which was now taking place. There was little doubt as to the existence of considerable deposits; the question was whether there were sufficiently large deposits of one or more minerals in the same place to make exploitation practicable. It would be the object

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of the preliminary tour to find this out and the Shah could be satisfied that their advice would be thoroughly reliable. If the answer were favourable, it would then be necessary to institute a detailed survey and he must be prepared for this to take some time - at least two years. The Shah wanted to know what the Americans had to do with the Anglo-American Corporation (S. Africa) and I promised to find out for him. He gave me the impression that he would have preferred an enterprise which was purely British in name as well as in fact.

10. The Shah spoke hopefully about the prospects of increased oil production. I warned him that:

- (a) there had just been a press leak as a result of which the public attitude of the Consortium might appear more negative than I thought it really was in fact.
- (b) there were serious physical limitations to any large increase in production in the near future so that the Iranian Government must not expect too much.
- (c) the most important thing of all was to ensure that the revenue from increased production was used to help balance the budget.

11. I expressed pleasure at the improvement at the Port of Khorramshahr. The Shah said that he was proposing to make General Zargham the head of a unified port administration. When he found a good man who really got on with the job he believed in trusting him fully and giving him the greatest possible authority (compare Ebtehaj I thought). He was fully convinced as to the importance of a fully unified port administration. I asked if General Zargham had yet had an opportunity of turning his attention to improving customs revenue which it seemed to me was capable of making a substantial contribution to the budgetary problem. The Shah assured me that he had and that there would be a very substantial increase as a result of General Zargham's activities. I reminded the Shah that my interest in Khorramshahr was connected not only with our general concern for the economic future of Iran but also with the import problems of British contractors operating here. The Shah at once said that he understood that there were difficulties between Mowlems and the Plan Organisation. Could not Mr. Glossop do something to straighten this out? I said that I had already had a discussion with M. Ebtehaj about this and I had been urging him to have a frank talk with Mr. Glossop; there were complaints from both sides and I found it hard to judge how much substance there was in what M. Ebtehaj had to say. What was quite certain was that some action must be taken to get on with the purchase of plant and the signing of contracts so that work on the roads could begin without delay.

12. This thought prompted the Shah to end our conversation on a lyrical note. The spring was the time when road building had to begin, it was a time of new life, of growing confidence. He hoped this spring would see the beginning of many things and that it would open a new page in the history of Iran. I suggested that ~~throughout~~ the firmness and speed with which the Government had dealt with Fedayan Islam had had a good effect.

The/



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The Shah said that the most remarkable thing was the absence of any popular protest against the arrest of Kashani except for a routine one from a few mullahs. It just showed what an exploded myth these nationalists were. Their importance in the past had been greatly over rated; he knew better now. They had nothing to offer the country; he had.

**R. B. STEVENS**

H.M. Ambassador  
January 30, 1956.

ADVANCE COPY

INWARD SAVING TELEGRAM

SAVINGRAM

BY BAG

SECRET

Sir Roger Stevens  
 Saving telegram No. 6  
 February 1, 1956.

TEHRAN TO FOREIGN OFFICE

Addressed to Foreign Office Saving telegram No. 6 of  
 February 1, repeated for information Saving to:-

Washington	No. 10 (S)
Moscow	No. 6 (S)
Ankara	No. 6 (S)
Bagdad	No. 7 (S)
Karachi	No. 6 (S)
POMEF	No. 6 (S)

I had an audience with the Shah on January 28. Our conversation ranged widely but was more remarkable for its omissions than its substance. The Shah did not refer directly to the Soviet non-aggression offer, nor make any explicit or implicit requests, nor express any doubts about British policy. It is true that he lay great emphasis on the need for United States budgetary aid but even on this subject he was less insistent than in the past, possibly because he is more hopeful.

*2/10/56*  
*B*

*C*  
*10/6/56*

2. His omission to formulate any specific demand even though he asked to see me contrasts oddly at first sight with recent Iranian attitudes expressed through other channels. Thus the Foreign Minister asked on the Shah's instructions for "help" in connexion with the expected Soviet neutrality offensive (my telegram No. 34). The Prime Minister hinted to me informally last week that it would be useful if some assurance regarding our determination to come to the assistance of Iran if attacked (a subject on which I understand the Government are under Parliamentary pressure) could be mentioned in the final communiqué of the Washington conference. A watered down version of the same request was recently made by Court circles to the American Embassy. The Iranian delegation to the Military Committee meeting of the Bagdad Pact has clearly been instructed to press for a reference, in the communiqué issued at the conclusion of the meeting, to the common determination of member states to defend their territorial integrity (reference Bagdad telegram No. 122 to Foreign Office). Yet there was no hint of any of this in my conversation with the Shah. It looks rather as though he had decided to adopt new tactics in his dealings with us and to avoid associating himself personally with requests which may not be met or are awkward to make. His manner was singularly friendly, easy and confident.



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February 7, 1956. D. 9.0 p.m. February 7, 1956.

IMMEDIATECONFIDENTIAL

Your telegram No. 90 [of February 4].

I shall not attend Bagdad Pact meeting in April. I agree this makes it all the more necessary that I should meet the Shah. But I cannot delay my return to London.

2. Please discuss with the Iranians how this could best be arranged.

If the Shah cannot get back by March 9, perhaps we could meet in Karachi. If this is difficult I could perhaps go from Karachi to Bagdad on March 9 and from Bagdad to Tehran on March 10, leaving for Ankara early on March 11. Please telegraph result of your discussion urgently.

3. I would prefer to stay with Her Majesty's representatives throughout the tour if that is possible but I do not want to give offence and if Iranians want me to stay with them and are insistent, I leave decision to you.

4. If you wish to say something to Iranians about who will lead delegation to Bagdad Pact meeting, you may say that I hope Minister of Defence will be able to come.

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