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OPERATIONS COORDINATING BOARD  
WASHINGTON 25, D. C.

COPY 3

April 14, 1954

MEMORANDUM FOR THE EXECUTIVE SECRETARY  
NATIONAL SECURITY COUNCIL

SUBJECT: Transmission of Progress Report on NSC 5402,  
"United States Policy Toward Iran"

There is attached the first Progress Report on NSC 5402, "United States Policy Toward Iran" covering the period through March 29, 1954. This report was approved by the Operations Coordinating Board on April 14, 1954.

The OCB recommends that the date of April 1, 1954 in paragraph 15c of NSC 5402 be changed to June 1, 1954. Because of the status of the current negotiations for the settlement of the Iranian oil problem, the date of April 1, 1954 did not appear to be a feasible time to begin a review of this problem for consideration by the National Security Council. The OCB feels that the date of June 1, 1954, while necessarily an arbitrary one, does allow sufficient time for the conversations in Iran to get under way and for some indication for their probable outcome to become apparent. Similarly, it allows time for expert studies, which are being undertaken, of alternative ways and means to get substantial revenue from Iranian oil should current negotiations fail. Such studies could be completed or sufficiently developed by June 1 to provide the basis upon which to undertake a review of United States policy at that time.

The National Security Council will note that this report covers only the period through March 29. Since that date, an apparent impasse in negotiations in London with the AIOC has been broken; Mr. Herbert Hoover, Jr. has gone to Tehran; and the consortium team has also arrived there. This successful outcome of the negotiations with the British was made possible by an agreement between the U.S. and the U.K. Governments for separate, but concurrent, negotiations between the British and Iranian Governments on the problem of compensation to AIOC.

NSC REVIEW  
COMPLETED,  
10/31/03

Elmer B. Staats  
Executive Officer

Attachment:

Progress Report on NSC 5402 (Iran),  
dated March 29, 1954.



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OPERATIONS COORDINATING BOARD  
WASHINGTON 25, D. C.

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April 12, 1954

MEMORANDUM FOR THE OPERATIONS COORDINATING BOARD

SUBJECT: Transmission of Draft Progress Report on NSC 5402,  
"United States Policy Toward Iran"

There is attached the first Progress Report on NSC 5402 (Iran) prepared by the OCB Working Group and reviewed by the Board Assistants. This report covers the period through March 29, 1954.

Attention is invited to the one suggested change in the basic NSC paper which the OCB is asked to recommend to the National Security Council. Paragraph 15c of NSC 5402 reads as follows:

"15. c. If such a settlement has not been reached by April 1, 1954, review U.S. policy toward the problem in the light of circumstances then existing, including giving consideration to taking independent action with Iran, in order to bring about a resumption of revenues from its oil resources as a stabilizing influence in the Government of Iran tending to obviate the need for U.S. emergency economic assistance."

It is proposed to change the date of April 1 to June 1, 1954. Because of the status of the current negotiations for the settlement of the Iranian oil problem, the date of April 1, 1954, did not appear to be a feasible time to begin a review of this problem for consideration by the National Security Council. The Working Group feels that the date of June 1, 1954, while necessarily an arbitrary one, does allow sufficient time for the conversations in Iran to get under way and for some indication of their probable outcome to become apparent. Similarly, it allows time for expert studies, which are being recommended, of alternative ways and means to get substantial revenue from Iranian oil should current negotiations fail. Such studies could be completed or sufficiently developed by June 1 to provide the basis upon which to undertake a review of United States policy at that time.

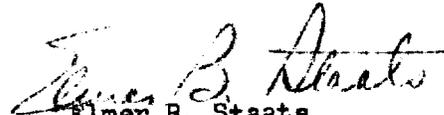
The Board will note that this Report covers only the period through March 29. Since that date, an apparent impasse in negotiations in London with the AIOC has been broken; Mr. Herbert Hoover, Jr., has gone to Tehran; and the consortium team has also arrived there. This successful outcome of the negotiations with the British was made possible by an agreement between the U.S. and the U.K. Governments for separate, but concurrent, negotiations between the British and Iranian Governments on the problem of compensation to AIOC.

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It is recommended that the Board approve the Progress Report and forward it to the National Security Council under cover of the attached draft transmittal note.

  
Elmer B. Staats  
Executive Officer

Attachments:

1. Draft Memorandum to Exec. Secretary, NSC, from Exec. Officer, OCB.
2. Progress Report on NSC 5402 (Iran), dated March 29, 1954



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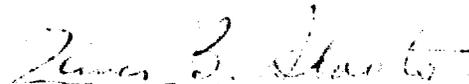
OPERATIONS COORDINATING BOARD  
WASHINGTON 25, D. C.

January 29, 1954

MEMORANDUM TO THE OPERATIONS COORDINATING BOARD

SUBJECT: Terms of Reference for Working Group on  
Coordination of NSC 5402 (Iran)

The Operations Coordinating Board, by vote-slip action completed January 18, 1954, approved the attached terms of reference for the Working Group on Coordination of NSC 5402.

  
Elmer B. Staats  
Executive Officer

Attachment:

Approved Insert in Standard  
Terms of Reference for  
Working Group on Coordination  
of NSC 5402 (Iran), dated 1/29/54

OCB File No. 36.

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OPERATIONS COORDINATING BOARD  
WASHINGTON 25, D. C.

January 29, 1954  
Reference NSC 5402  
NSC Action No. 998

Terms of Reference for Working Group on  
Coordination of NSC 5402 (Iran)

1. The President has directed the implementation of NSC 5402 by all appropriate executive departments and agencies, and has designated the OCB as the coordinating agency.
2. To assist the Board in this task, representatives of the following agencies, and a representative from the OCB staff, will constitute a working group, chaired by the Department of State:
  - a. Department of State
  - b. Department of Defense
  - c. Foreign Operations Administration
  - d. Central Intelligence Agency
  - e. U. S. Information Agency
  - f. Treasury Department and Department of Justice have been requested to designate representatives upon whom the Working Group can call if and when necessary and appropriate.
3. The working group will follow standing OCB instructions (Annex "A").
4. The first report under paragraph 4 of Annex "A" is due on or about April 1, 1954. Subsequent reports are due at intervals of approximately six months thereafter.
5. In view of the fact that PSB D-22 contains material of interest and importance to attainment of U.S. objectives in Iran, the working group is to take pertinent portions of D-22 into account in its operations and reports.

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Approved For Release 2004/07/08 : CIA-RDP80R01731R003000020002-9

### ROUTING AND RECORD SHEET

**INSTRUCTIONS:** Officer designations should be used in the "TO" column. Under each comment a line should be drawn across sheet and each comment numbered to correspond with the number in the "TO" column. Each officer should initial (check mark in incident) before further routing. This Routing and Record Sheet should be returned to Registry.

FROM:

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OPERATIONS COORDINATING BOARD  
WASHINGTON 25, D. C.

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March 29, 1954

PROGRESS REPORT ON NSC 5402.

"UNITED STATES POLICY TOWARD IRAN"

A. SUMMARY

1. Following the President's directive assigning the coordination of NSC 5402 to the Operations Coordinating Board, there was established a working group. This group has been charged with direct responsibility at the working level for coordination of these policies and has been active since its establishment in January 1954. Negotiations with the British have been carried forward directly under the guidance of Mr. Herbert Hoover, Jr., both in London and Washington. While the course of negotiations has not always been smooth, progress has been made and there is still hope of some success. Negotiations with Iran have not yet begun but there are some prospects for ultimate success in Tehran. Meanwhile, emergency economic aid has necessarily continued with an additional grant of \$6 million. A military aid program of an additional \$19 million has been approved. Planning for the contingencies envisaged in paragraphs 25, 26 and 27 of NSC 5402 is being carried on by interested departments and agencies.

2. The policies and courses of action set forth in NSC 5402 are considered to be adequate, timely and to require no important changes. It is recommended, however, that, in view of the status of the current negotiations with the British and presumably in a short time with the Iranian Government, the date of April 1 as set forth in paragraph 15c for the review of the United States policy be changed to June 1.

3. The Departments of Treasury and Justice have appointed full-time members to the OCB Working Group on NSC 5402 (Iran) and have broad interests in this problem. They are not participants in the contingency planning called for in paragraphs 25, 26 and 27.

B. PROGRESS BY PARAGRAPHS

Paragraph 15 - Facilitate Iranian Oil Settlement

- a. Assist Iran again to obtain substantial revenues from its oil resources.
- b. Assist in every practicable way to effect an early and equitable settlement of the oil controversy between the UK and Iran.

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- c. If such a settlement has not been reached by April 1, 1954, review U.S. policy toward the problem in the light of circumstances then existing, including giving consideration to taking independent action with Iran, in order to bring about a resumption of revenues from its oil resources as a stabilizing influence in the Government of Iran tending to obviate the need for U.S. emergency economic assistance.
- d. In implementing actions under b or c above, seek to avoid establishing any precedent which would adversely affect U.S. interests in Middle East resources.

There have been certain significant developments in the direction of settlement of the Anglo-Iranian oil dispute since approval of NSC 5402.

Considerable progress has been made toward the establishment of a consortium of oil companies (40% AIOC; 40% American companies; Royal Dutch Shell and Compagnie Francaise des Petroles sharing the remainder on a basis not yet determined) which, when organized, will open negotiations with the Iranian Government to return Iranian oil to world markets and thus provide Iran with substantial revenues from its oil resources.

Normal diplomatic relations have been restored between Iran and the UK.

The Parliament which existed at the time of the Mossadeq Government has been dissolved and a new Parliament has been elected under close supervision by the Zahedi Government.

An eminent American oil expert, Mr. Torkild Rieber, has been hired by the Iranian Government as a special adviser for oil matters.

Although there are still great political and psychological factors in Iran which could disrupt any oil agreement which would appear reasonable to international oil companies, there now exists in Iran the most favorable atmosphere for such a settlement since nationalization of the oil industry or for the foreseeable future.

There is some evidence that Iranian leaders have acquired greater understanding of the complexities and realities of the international oil business during the past months of "education" by Mr. Herbert Hoover, Jr., U.S. Ambassador Henderson and an extensive propaganda campaign conducted by USIA.

As to the question of considering unilateral action with Iran if there is no oil settlement by April 1, 1954, it would seem that such action, even if practicable, would be out of order while the current negotiations are in progress and should only be considered when it appears that the negotiations have failed.

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Paragraph 16 - Continue Emergency Economic Aid Pending Reestablishment of Substantial Revenues

Since the approval of NSC 5402, Iran has been granted \$6 million additional emergency economic aid. This brings to a total of \$51 million the emergency aid granted the Zahedi Government by the U.S.

As to the desirability of providing economic aid in the form of loans, it was not possible, in view of the urgency of Iran's need in March to await election of a Majlis to consider accepting a foreign loan. It is the law of Iran that foreign loans must receive Majlis approval. The Majlis which had been convened under Mossadeq had been disbanded and the new Majlis had not been convened when the need for additional aid was most pressing. In addition, it is probable that it would be political-ly unwise to propose consideration of a foreign loan as the first business of the new Majlis.

The \$45 million emergency aid allocation has been an important factor in countering the sharp inflationary trend of the past year. In some cases, such as sugar, price reductions resulted from the actual receipt of imports by Iran. In other instances the psychological effect of knowing that additional funds were available for increased imports resulted in price reductions. In addition, of course, local currency generated from the use of the \$45 million has enabled the Government to meet its current operating expenses including salaries of Government employees and part of the funds needed for armed services pay. While a relatively smaller part of the local currency generated has been used for the purpose, the FOA Mission and the Iranian Government have been in a position to finance a number of "impact" projects, that is, projects such as low cost housing construction and road and street repairing, which is evidence to the Iranian people, though scanty, it is admitted, that the Zahedi Government intends to live up to its promises to alleviate unemployment and improve living conditions.

The \$45 million aid allocation, as originally tendered, was not related to any specific period. It was later scheduled to carry through March 21, 1954 (the end of the Iranian year). Latest indications are that the original allocation, plus an additional \$6 million made available to Iran this month, will be sufficient to meet Iran's urgent requirements through the end of the present U.S. fiscal year. This estimate, however, is based on the assumption that Iran will revalue \$13 million recently placed in the note reserve. Fortunately, the Bank Melli's holdings of local currency have improved sufficiently to enable the Government to sell foreign exchange to the Bank Melli for local currency. This procedure was adapted in the case of the recently allocated \$6 million. The dollars are available to finance imports through regular commercial channels to meet the demand for exchange. Thus far, for various reasons including the fact that importers expect a further drop in the exchange rate, the demand for exchange has not reached expectations. As a result there has been a substantial increase over the seriously depleted reserve position of the Bank last August.

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To meet the Iranian budgetary deficit between the end of the U.S. fiscal year and such a time as the next fiscal year appropriation becomes available the Mission in Tehran has recommended providing a grant of from \$7.5 to \$9 million. No FOA/Washington position has been determined as yet on this question.

As indicated above, presently allocated aid will, in certain circumstances, suffice for the period ending June 30. In any event short of a resumption of oil revenues, it is quite likely that additional aid will have to be made available in May or June in order that the Zahedi Government will be in a position to meet its budgetary requirements in the period immediately following June 30. For planning purposes, it is probably necessary to assume a requirement for emergency economic aid of approximately \$5 million per month. Furthermore, it must be recognized that this emergency economic aid accomplishes its purpose only as it can be translated into the acquisition of local currency by the Iranian Government. Hence the procedures under which the aid is made available are extremely important and unless the special procedures employed in connection with the recent \$6 million grant are applied to future aid, dollar aid will have to be made available several months in advance of the date when the Government of Iran is expected to require the rials.

Paragraph 17 - Continue Limited Technical and Economic Aid

The technical assistance program, embodying an economic aid component, has progressed at a more rapid pace thanks to the early receipt of funds this fiscal year, the delegation of greater operational authority to the field, the assignment of needed personnel and the Mission's policy to give as much support to the Zahedi Government is consistent with the U.S. desire to see Iran compelled to enter into definitive negotiations for an oil settlement.

Another segment of the technical assistance program, the Community Development field, was turned over under contract to a private organization, the Near East Foundation. This move will broaden the resources in technical competence now available to the FOA Mission in operating the program in Iran. USIA continues its efforts to call this aid to the attention of Iranians.

Paragraph 18 - In Implementing Above Courses of Action: Consult With U.K. Without Impairing U.S.-U.K. Relations, Without Permitting U.K. Veto of U.S. Actions and Seeking U.K. Agreement to Solution Oil Problems While Supporting Zahedi Government

Full consultation has been maintained with the UK on all significant U.S. moves toward settlement of the oil dispute and provision of economic and technical aid to Iran. Although there are certain outstanding questions in regard to Iran still under discussion between the U.S. and U.K. Governments, U.S.-U.K. relations have not been unduly impaired.

Although there are still great obstacles to overcome, efforts to find a practical and equitable solution of the oil problem at the earliest possible moment have been marked by success on the following major points:

- a. AIOC invitation to five American oil companies, Royal Dutch Shell and Compagnie Francaise des Petroles to form a consortium to handle Iranian oil.

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- b. AIOC acceptance of not more than a 40% share in the consortium.
- c. British acceptance of the principle that the total British share (including British interest in the Shell Company's share) may not be a controlling percentage of the consortium.
- d. British acceptance of the American proposal that the total value of the new consortium be set at one billion dollars.
- e. British acceptance of the method of payment to AIOC proposed by the American companies and Shell.
- f. Agreement that the British Government will negotiate with the Iranian Government regarding AIOC claims for compensation from Iran.

On several occasions since approval of NSC 5402, the U.S. Government has received assurances of full UK support to the Zahedi Government. There is a clique of Iranian politicians, who have local reputations of being British agents, who have not concealed their antagonism to Zahedi and their desire to replace him with one of their number. In the considered judgment of U.S. Government observers, it is likely that those Iranian politicians are merely acting on their own initiative in pursuance of their personal ambitions.

On January 23, 1954, the Attorney General expressed the opinion that participation of American oil companies in the specified proposed consortium to contract with the Government of Iran within the area of the former AIOC concession for production, refining and acquisition of petroleum and petroleum products, would not in itself constitute a violation of the anti-trust laws. This made it unnecessary for the President to use his authority to approve voluntary agreements and programs under Section 708(a) and (b) of the Defense Production Act of 1950, as amended.

Paragraph 19 - a) Provide Grant Military Aid to Iran to Maintain Internal Security and Provide Some Resistance to External Aggression; and b) to enhance the Prestige of the Monarchy and the Morale of the Iranian Government and Military Services

Since the approval of NSC 5402, \$19 million additional military aid has been granted Iran. Five million dollars of that sum was expended, at the urgent request of the Embassy and U.S. Military Missions in Iran, for clothing, medical supplies, tents, bedding, housing for Army and Gendarmery personnel and items such as vegetable oils, drugs, stationery, cleaning materials, and range repair. The FOA Mission in Iran cooperated with the military in seeking to obtain the maximum benefit from these expenditures. While the effect of such aid is difficult to measure, nevertheless, it can be assumed that there was some subsequent improvement in morale among the armed forces. The remaining \$14 million will be programmed following receipt of recommendations requested from Chief of MAAG, Iran.

The U.S. Military Missions in Iran have reported some increased receptiveness on the part of the Iranians to advice for improvement of operations and reorganization of the military establishment. There is continued pressure

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by American military advisers upon the Iranians to use U.S. aid and advice to achieve further improvement of their ability to maintain internal security and provide some resistance to external aggression.

The provision of additional military aid to Iran is intended to assist in enhancing the prestige of the monarchy and morale of the government and armed forces. As the Shah is Commander-in-Chief of the Iranian armed forces, improvement in the organization, equipment, leadership and morale of the armed forces is bound to reflect some credit on the Shah. The provision of certain medium equipment such as tanks and medium artillery is viewed by the Shah as adding to his prestige. Also, it can be expected that the Shah and his armed forces will react favorably to demonstrations of U.S. policy to help Iran to defend itself against external aggression.

The Department of the Army has prepared and forwarded to the Chief of the ARMISH, Iran, an amendment to his terms of reference taking into account the mission of assisting the Iranian armed forces to provide some resistance to external aggression.

Paragraph 20 - The Amount and Rate of Military Aid to Iran Should Take Into Account Iran's Attitude Toward the Aid and Cooperation With the Free World and Iran's Ability to Absorb the Aid and Its Willingness to Formalize Contracts for Military Aid and Training

There has been little improvement in Iran's demonstrated ability satisfactorily to absorb military equipment and training. A total of \$52.7 million in military equipment had been shipped to Iran as of 31 December 1953. As of that same date, \$91.8 million in equipment had been programmed.

The Iranian Cabinet decided on March 17 to extend "formally" the contract with the U.S. Advisory Mission to the Iranian Army. In case the Shah and Prime Minister approve this decision, Ambassador Henderson is authorized immediately to agree to an extension of the contract on previously existing terms.

Paragraph 21 - Encourage Iran to Cooperate Militarily with its Neighbors

Ambassador Henderson has been instructed to inform the Shah that the U.S. and UK are in agreement that Iran's armed forces should have capabilities beyond those of maintaining internal security. Such forces should be developed gradually and with due care not to overburden Iran's economy.

As to Iran's joining in regional defense arrangements, the Shah has made clear in conversations with Vice President Nixon, Ambassador Henderson and U.S. military advisers that it is premature for Iran to enter such arrangements. However, he has expressed a hope that, as Iran's armed forces develop a capability to make a significant contribution to regional defense, it will be possible to move in the direction of military cooperation with Iran's neighbors. The U.S., UK and Turkish Governments agree that this is

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not an appropriate time to press for immediate and, of necessity, public Iranian participation in regional defense arrangements. However, it is being pointed out to the Shah that U.S. Congressional approval of further military aid to Iran will undoubtedly be influenced by regional defense as well as by individual country defense considerations.

Through the provision of grant military aid and training, the U.S. Government is assisting Iran in developing military capability which would enable it to enter into military cooperation with its neighbors and to enter into any regional defense arrangements which may be developed for the Middle East.

Paragraph 22 - Attempt to Direct Iranian Nationalist Feeling to Constructive Channels and Bear in Mind Desirability of Strengthening the Iranians to Resist Communist Pressure

Ambassador Henderson and his Embassy staff, constantly in contact with high levels of the Iranian Government, bear in mind the desirability of strengthening in Iran the ability and desire of the Iranian people to resist communist pressure. The effect of their influence cannot be measured but it is noteworthy that the Shah, Prime Minister Zahedi and most leading members of the Government are fundamentally anti-communist.

The Shah and Zahedi both realize the need to demonstrate to the Iranian public the benefits of a pro-western attitude and the importance of directing nationalist feelings into constructive channels. Major obstacles to a successful program in this direction are:

- a. Failure so far to improve the extremely low levels of living of the great bulk of the population.
- b. The historical concentration of the control of political and economic activities in a comparatively small number of leading families who have consistently, although disunitedly, resisted the efforts of politically ambitious urban middle class elements to broaden participation in the control of these activities.
- c. The political inexperience and lack of discipline of the Majlis, the members of which for the most part represent the ruling aristocracy, and tend to support individuals rather than programs or principles.
- d. The Shah's deep suspicions of any strong Prime Minister and his resistance to Majlis attempts to control the Executive Branch of the Government.

The FOA Program has contributed to implementation of this aspect of the policies of NSC 5402 by giving constructive employment to young educated Iranians who might otherwise have been frustrated, unemployed and prey for agitators;

USIA has expanded its program to include the assignment of officers to the three consulates in Iran and step up its program in the field of press relations, distribution of news, library service, etc. It is extremely

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difficult to measure the full effect of this program, but it is clear that, through USIA efforts, a significant amount of material which is considered useful to U.S. purposes in Iran is distributed and read or listened to by the local people.

Paragraph 23 - Encourage Iran to Adopt Necessary Financial, Judicial, Administrative and Other Reforms and to Provide Orderly Succession to the Crown

The U.S. Embassy at Tehran has been requested to report upon Iranian Government planning to carry out or propose for new legislation any financial, judicial, administrative and other reforms. Since the Zahedi Government has been primarily concerned with the establishment and maintenance of security throughout Iran and with preparations for negotiating a settlement of the Anglo-Iranian Oil dispute, it has been unable to give much attention to reforms. The Embassy has been instructed to encourage, whenever possible, the preparation of an Iranian Government reform program to present to the Majlis when it convenes. There are available from the reports of previous advisory missions to Iran and from tax, land reform and similar experts now in the employ of FOA, plans and programs which could be used by the Iranian Government as a basis for preparation of necessary legislation.

With reference to the question of succession to the Crown, no one has been designated and no definitive method of selection determined. Probably the main reason that the Shah has not designated a successor is his suspicion of any such successor. Ambassador Henderson has been instructed to press upon the Shah, whenever an appropriate occasion appears, the desirability of designating a successor. To date, however, there is no indication that the Shah will do so.

The conduct of the U.S. program, both the technical assistance and the economic aid phases of it, have brought about somewhat naturally a number of reforms or innovations in the Iranian Government structure. There are now in existence, for example, a public health cooperative, a statistics cooperative, and agricultural service, which, there is every reason to believe, will become integral parts of the Iranian Government. Iranian officials are becoming more willing, moreover, to follow the mission suggestions for improvements in Iranian Government administration to a point where they have requested U.S. specialists in taxes, budget, government procurement, organizational methods, auditing, accounting and government personnel matters and commercial accounting.

In cooperation with the various ministries, the Mission has developed a plan for a master joint fund and joint administrative machinery to conduct the complete responsibility for the program by the Iranian Government.

While the Mission's recommendations for financial reforms have not yet been fully adopted, the Mission's close cooperation with the Ministry of Finance and the Bank Melli in the administration of the economic aid program have strengthened the hand of the financial authorities so that the necessary changes are almost certain to be made as soon as a Majlis is formed.

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Paragraph 25 - United States Should Prepare Plans to Meet the Contingency of an Attempted or Actual Communist Seizure of Power in One or More of the Provinces in Tehran

There is in existence a plan which was prepared in accordance with directions from the Joint Chiefs of Staff. This plan takes into account possible military action in Iran in support of a non-Communist Government in the event either an attempted or an actual Communist seizure of power in one or more of the provinces of Iran or Tehran.

While plans for U.N. action in the contingency foreseen in paragraph 25 are being studied in the State Department, it has been considered undesirable at this time to discuss such plans with other friendly Delegations at the U.N. or with the Secretary General of the U.N.

As a situation develops in which it is considered desirable to consult with other nations on plans for possible U.N. action, we would probably first raise the matter on a confidential basis with the UK Government. Since both Turkey and Pakistan would undoubtedly be concerned at signs of increasing Communist influence in Iran, it might also be desirable, as the situation deteriorates, to consult with Turkey and Pakistan in regard to concerted plans for U.N. action in the contingency foreseen in paragraph 25.

As affairs grow progressively serious in Iran, and there is evidence of increasing Communist subversion, it might be desirable to advise the Iranian Government to prepare and submit a short "Status Report" to the Security Council, for the information of all U.N. Members, under the heading of the "Iranian Question" which has remained since 1946 on the list of matters with which the Security Council is seized. Such a report, while it need not call for debate or action, could serve as a warning signal to the members that the situation might soon require some U.N. action.

A more positive step would be to encourage the Iranian Government to request the despatch of observers to Iran's northern frontier areas by the U.N. Peace Observation Commission. The POC, consisting of the representatives of fourteen U.N. countries at New York, was established as a part of the Uniting for Peace machinery created by the General Assembly in its resolution of November 3, 1950. It is empowered to "observe and report on the situation in any area where there exists international tension, the continuance of which is likely to endanger the maintenance of international peace and security." The POC can be "utilized", at the request or with the consent of the state or states in whose territory observation would be conducted, either by the Security Council, by the General Assembly, or by the Interim Committee (Little Assembly) when the Assembly itself is not in session. POC observers would report to the Peace Observation Commission or a sub-commission thereof, and any worsening of the situation thereafter could be

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brought quickly to the attention of either the U.N. Security Council or the General Assembly in the form of such observer reports. It could, of course, be essential to ensure that U.N. observers utilized for possible duty in Iran were of a nationality acceptable to the Iranian Government. (It is worthy of note that the initial U.N. Security Council action in the face of the Communist invasion of the Republic of Korea in 1950 was taken on the basis of on-the-spot U.N. observer reports and not simply of charges made by the Republic of Korea or by the United States).

A more far-reaching type of action, should the Iranian situation further deteriorate, would be to bring before the U.N. charges that the political independence and territorial integrity of Iran were being threatened, that the authority of the legitimate Iranian Government was being undermined in some parts of the country by an externally-supported movement, or that the legitimate Iranian Government had been overthrown by illegal means. Such a situation could be presented to the U.N. Security Council or the General Assembly (and the latter might be called into special session if necessary) as a direct and immediate threat both to the independence of a U.N. Member Nation and to the peace and security of the Middle East.

The exact nature of such charges would, of course, depend upon the situation existing at the time. This would also be true of the nature of the remedial or counter action to be sought. Among the measures which might be considered are: (1) a U.N. call to the offending party to "cease and desist" in its illegal efforts to undermine the Government of Iran; (2) a U.N. "condemnation" of the offending party as guilty of violating the Charter or of an act of aggression; (3) a possible call to U.N. Members to render such assistance and support to the legitimate Government of Iran as they might be in a position to provide. (Such a resolution would provide the stamp of U.N. approval for various types of direct aid which the United States and other like-minded nations might wish to give to Iran under such conditions); or (4) a call for the application under U.N. auspices of "collective measures," of a type and scope regarded as most useful under the circumstances.

Although State and Defense are prepared to enter discussions with appropriate UK representatives concerning each of the above plans, such discussions have not yet been commenced.

The U.S. Joint Chiefs of Staff and the British Chiefs of Staff have previously agreed to participate in combined planning studies of the problem of defending the Middle East in war. Military action in event of a communist coup in Iran would be included as an agenda item for such studies.

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Paragraph 26 - As Part of Contingency Planning Carry on Politico-Military-Economic Discussions with the UK for Plans to Meet Contingency of Communist Seizure of Complete Control of Iran so Rapidly that no Government is Available to Request Assistance from Free World

Contingency planning for these eventualities is being carried on by the interested departments and agencies.

The U.S. Joint Chiefs of Staff and the British Chiefs of Staff have previously agreed to participate in combined planning studies of the problem of defending the Middle East in war. Military action in event of a communist coup in Iran would be included as an agenda item for such studies.

Paragraph 27 - Contingency Plans and Policies in the Event of an Attack by USSR Military Forces Against Iran

Contingency planning for these eventualities is being carried on by the interested departments and agencies.

C. APPRAISAL OF THE NEED FOR RECONSIDERATION OF EXISTING POLICY

It is believed that the policies and courses of action set forth in NSC 5402 are timely, adequate and require no important modifications at this time. The date of April 1 for review of U.S. policy as set forth in paragraph 15c should be changed to June 1, 1954 because of the current status of negotiations regarding the settlement of the Iranian oil problem.

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