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*Printed for the Cabinet. May 1933.***SECRET.**

Copy No.

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C.P. 135 (33).**CABINET.****ANGLO-PERSIAN RELATIONS.**

AS I have to leave for Geneva, and shall therefore not be able to be present in Cabinet on the 24th May, I circulate to my colleagues a short memorandum regarding Anglo-Persian relations.

J. S.

*Foreign Office, May 19, 1933.***MEMORANDUM.**

Sir John Cadman has, since his return from Persia, given me an account of his negotiations in Tehran, where, owing to his very exceptional personality, he was able, when the Persian Ministers were obstructive, to enlist the good offices of the Shah himself, and to reach a satisfactory settlement regarding the dispute between the Persian Government and the Anglo-Persian Oil Company.

2. The new agreement, Sir John Cadman tells me, is most satisfactory, and he has no doubt at all that it will be so regarded by his shareholders. The new concession will run till 1993, thus involving an extension of 30 years beyond the term of the cancelled concession; there can be no further dispute about accounts; he has got a satisfactory arbitration clause, which he considers will prevent any other attempt at unilateral cancellation; the provisions about area give him all he wants; and he has successfully resisted the demand for the appointment to the board of any Persian director. The only reason why the satisfactory nature of the agreement is not already publicly announced is that it still has to be ratified by the Persian Mejliss; this should take place next week.

3. Mr. Hoare, His Majesty's Minister in Tehran, has suggested that there might be considerable advantage were the King to send a telegram to the Shah, expressing satisfaction at the recent solution of the oil company's dispute, and the hope that questions now outstanding between His Majesty's Government and the Persian Government may be solved in a no less satisfactory manner in the autumn. Such a message is of course unusual, and I myself had qualms about taking any such action, as the recent dispute was primarily one between the Persian Government and a private English company, even though at Geneva it was a dispute between our two Governments. But I have had the opportunity of discussing the matter with Sir John Cadman since his return. He is a man of exceptional parts, and expressed to me his considered opinion that the atmosphere created in Tehran by the settlement of his dispute is definitely favourable at present, and that such a message would flatter the Shah intensely; and, further, the attitude both of the Shah and the Foreign Minister made him feel convinced that the Persians would like to see a settlement of outstanding difficulties with us.

4. This opinion, coming from Sir John Cadman, does inevitably carry weight with me. The danger of the present position is that the Persian Government in September last requested us to evacuate Henjam, where we at present have no right to keep our ships without Persian consent. If the Persian

Government repeated the request for evacuation, and pressed it, we should be in a very difficult position, especially if they brought the matter before the League of Nations, as nothing material has been done by us to create an alternative base, even if that were possible. Mr. Hoare is coming home on leave and this would give the opportunity for a committee representing the India Office, the Admiralty and the Foreign Office to go over all the points with him and give him definite directions.

ANNEX.

Draft Telegram from The King to The Shah of Persia.

(To be sent after the ratification by Persia of the new Anglo-Persian Oil Agreement.)

I HAVE learnt with pleasure of the successful conclusion of the negotiations recently held in Tehran between Your Majesty's Government and representatives of the Anglo-Persian Oil Company, and I have to-day received in audience Sir John Cadman, who has given me a personal account of his conversation with Your Majesty.

His report of the views expressed by Your Majesty on the subject of the relations between our two countries has given me keen satisfaction, as they are in harmony with my own views and with those of my Government. Advantage will be taken by my Government of the presence in England in the near future on leave of absence of my Minister accredited to Your Majesty to review the previous discussions for the conclusion of a general settlement of outstanding questions in the hope that it may be possible for these discussions to be resumed in the autumn on the return of Mr. Hoare to Your Majesty's Court with the best prospect of a successful issue. I feel confident that Your Majesty's personal help and guidance will on that occasion also be available to remove any difficulties which might arise.