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PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development'

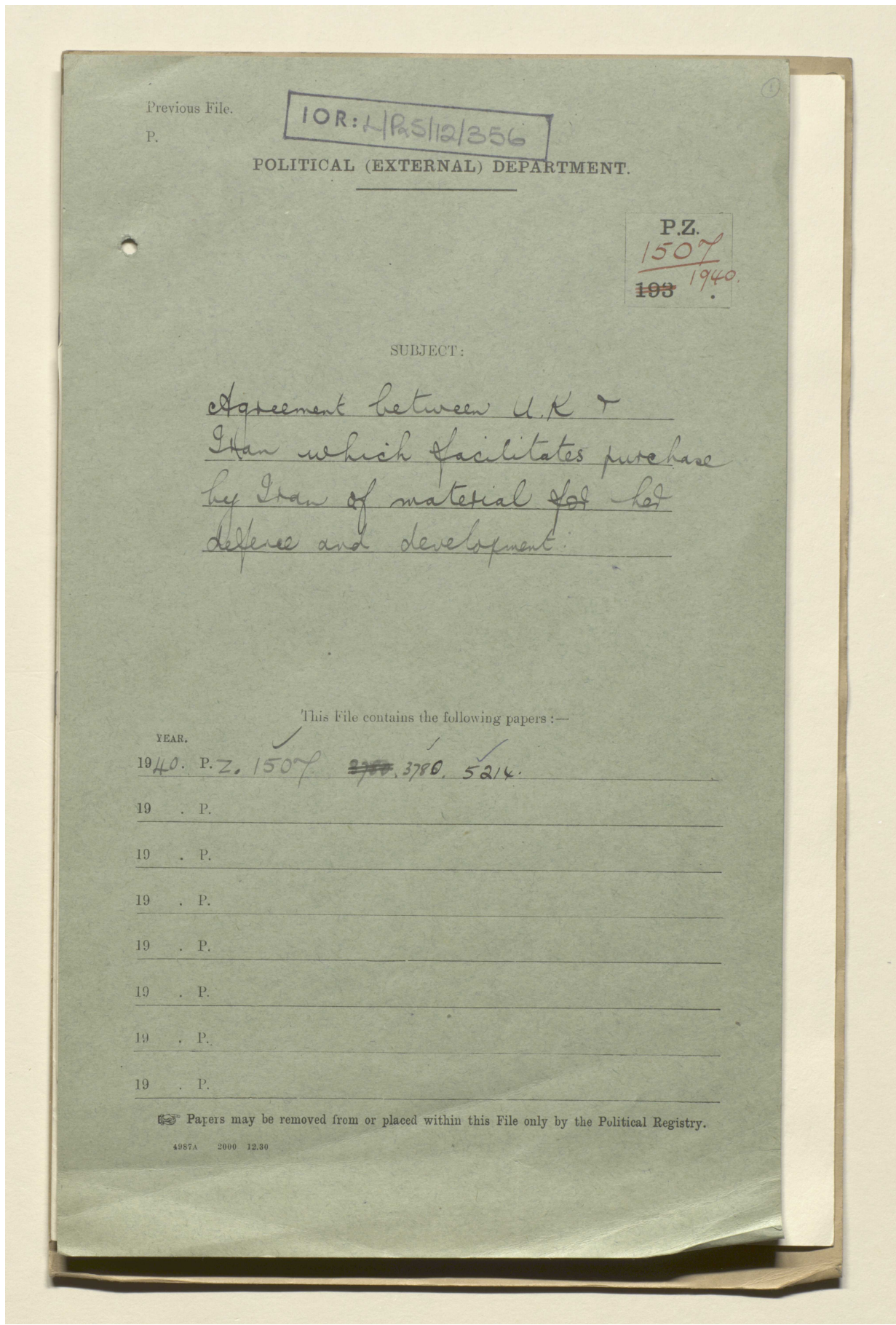
Holding Institution	British Library: India Office Records and Private Papers
Reference	IOR/L/PS/12/356
Date(s)	9 Mar 1940-28 Sep 1940 (CE, Gregorian)
Written in	English in Latin
Extent and Format	1 file (9 folios)
Copyright for document	<u>Unknown</u>

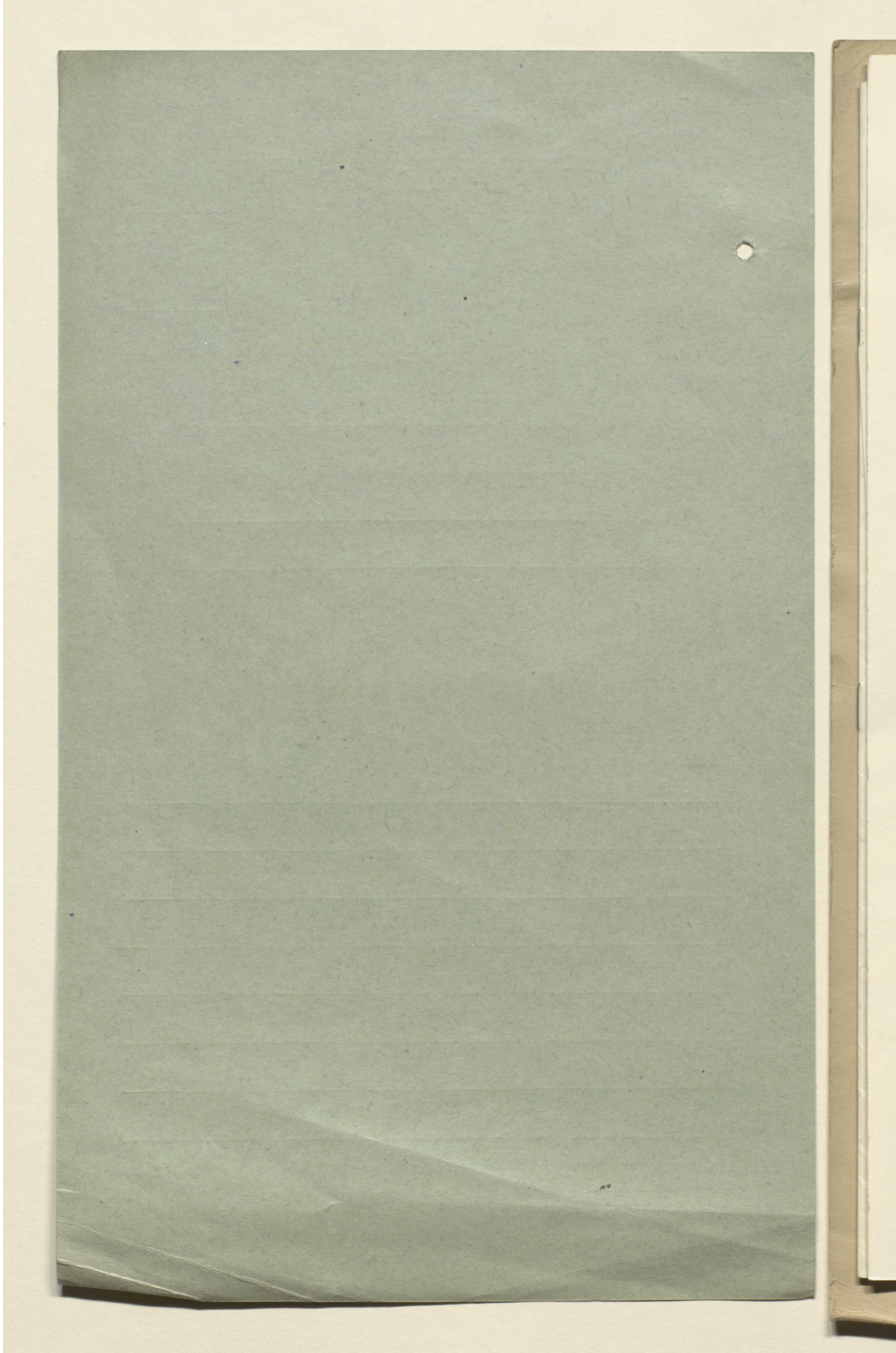


About this record

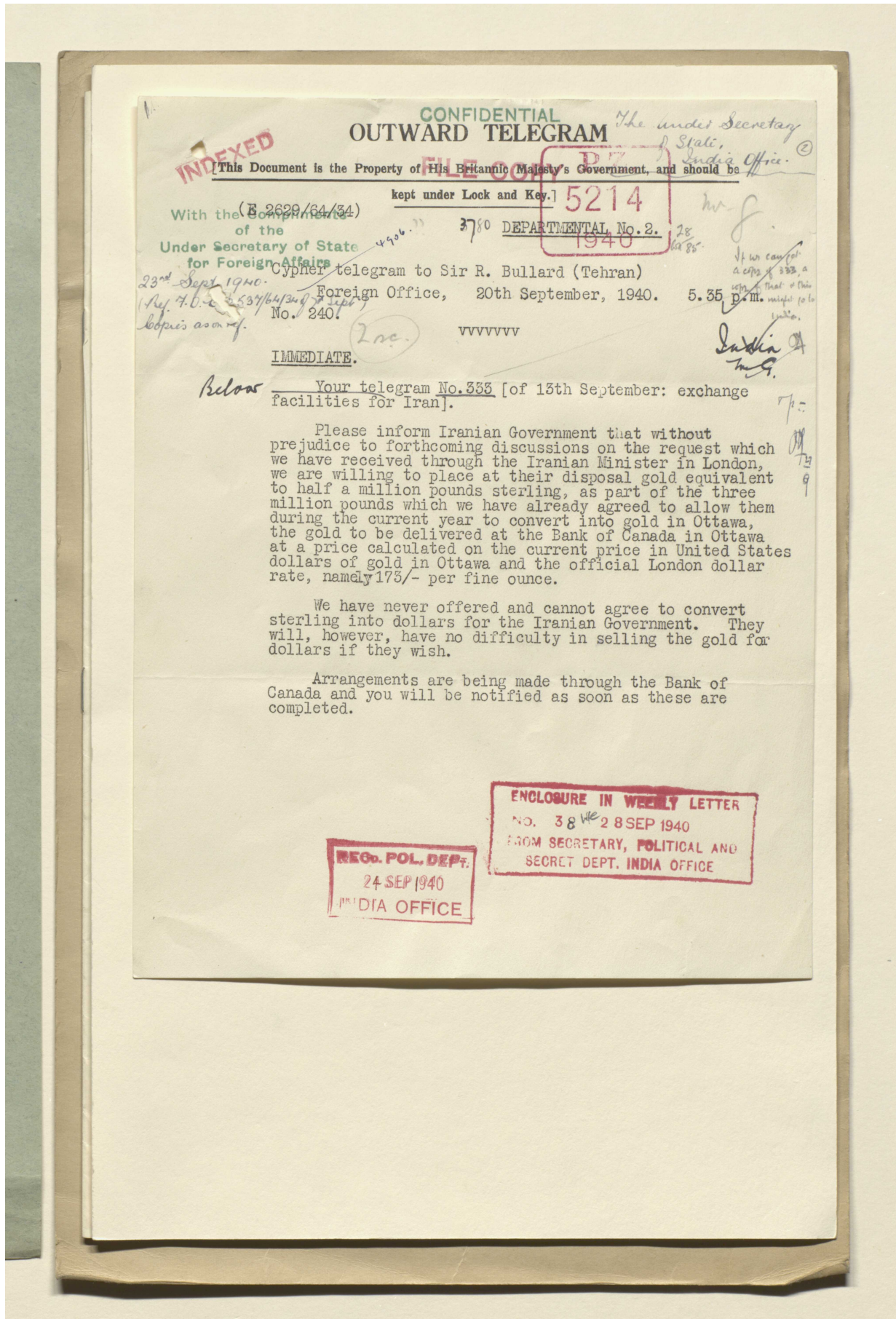
The file contains a copy of an agreement intended to facilitate Persian purchases of material for defence and development (folios 7-10), and letters relating to the agreement. The agreement was forwarded by the Secretary to the Treasury, whilst the other documents, including letters written by Reader William Bullard, HM Minister at Tehran, were circulated by the Under Secretary of State for Foreign Affairs.

PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [front] (1/24)

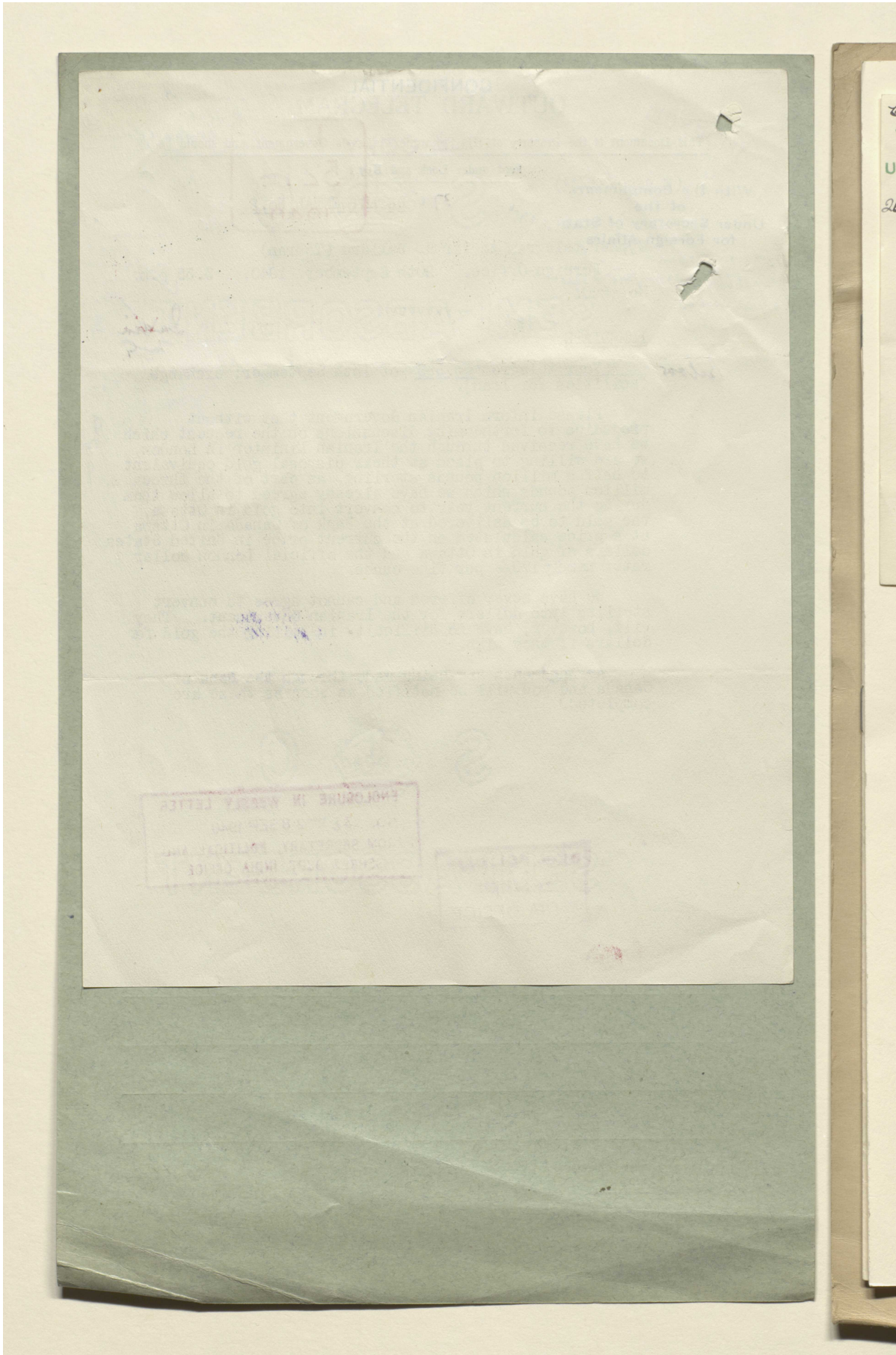




PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [2r] (3/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [2v] (4/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [3r] (5/24)

L. 2582/23/34.
With the Compliments
of the Decypher.
Under Secretary of State
for Foreign Affairs
26th Sept. 1940.

CONFIDENTIAL LIMITED DISTRIBUTION.
The Under Secretary of State,
India Office. ③
Sir R. Bullard (Tehran).
13th September, 1940.
13th September, 1940. PZ 5214
13th September, 1940. 40

D. 2.20 p.m.
R. 9.30 p.m.

No. 333. hhh

IMPORTANT.

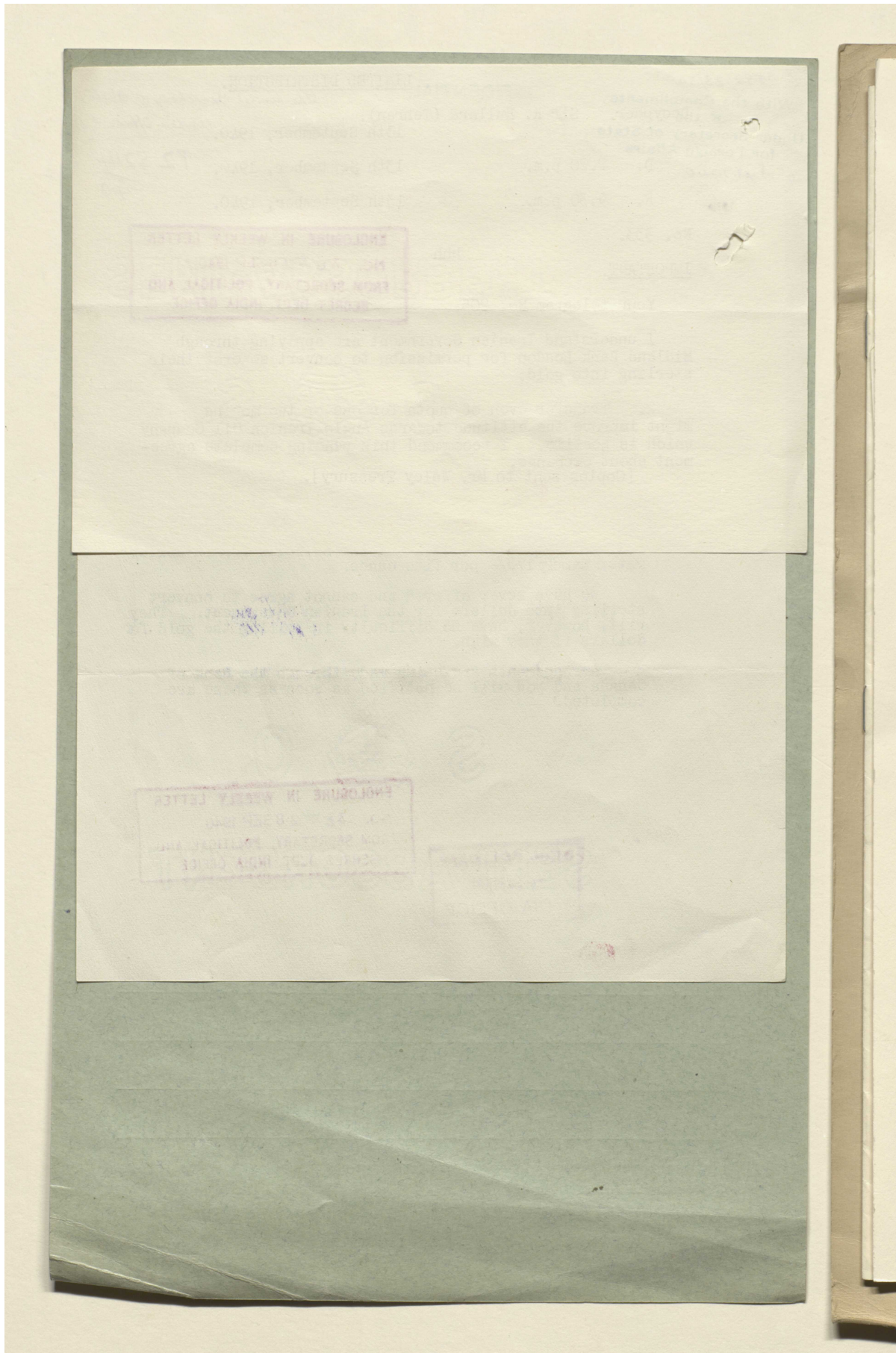
Your telegram No. 205.

I understand Iranian Government are applying through Midland Bank London for permission to convert some of their sterling into gold.

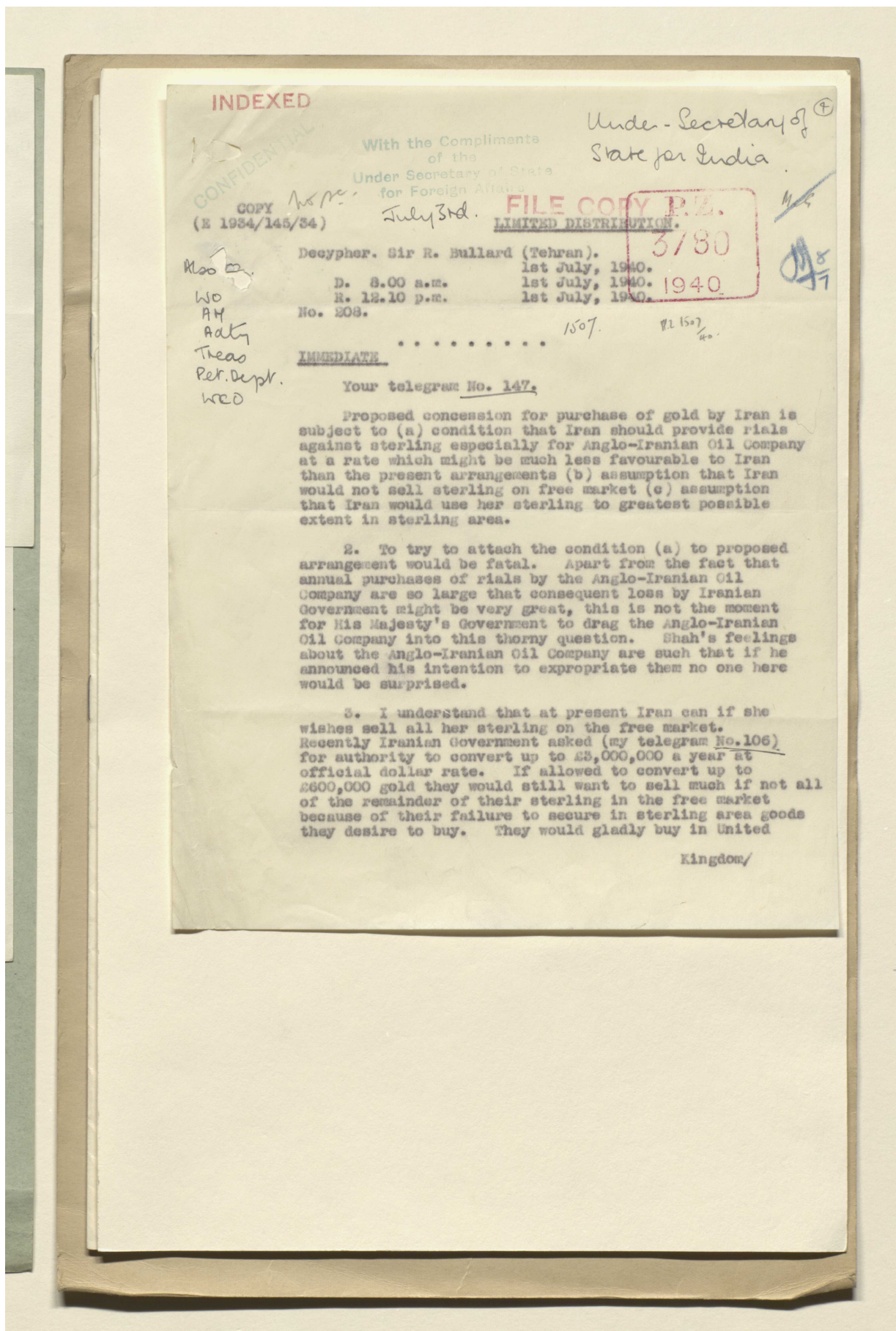
2. Transfer even of quota for one or two months might improve the attitude towards Anglo-Iranian Oil Company which is hostile. I recommend this pending complete agreement about exchange.
[Copies sent to Mr. Waley Treasury].

**ENCLOSURE IN WEEKLY LETTER
No. 38 28 SEP 1940
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE**

PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material
for defence and development' [3v] (6/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [4r] (7/24)



INDEXED

CONFIDENTIAL

With the Compliments
of the
Under Secretary of State
for Foreign Affairs

Under-Secretary of State for India

COPY (E 1934/145/34)

July 3rd.

FILE COPY P.Z.
LIMITED DISTRIBUTION.

Also
WO
AM
Adm
Treas
Per. Dept.
WED

Decypher. Sir R. Bullard (Tehran).

D. 8.00 a.m.
R. 12.10 p.m.

No. 208.

1st July, 1940.
1st July, 1940.
1st July, 1940.

3/80
1940

1507.

Pl 1507/40.

IMMEDIATE

Your telegram No. 147.

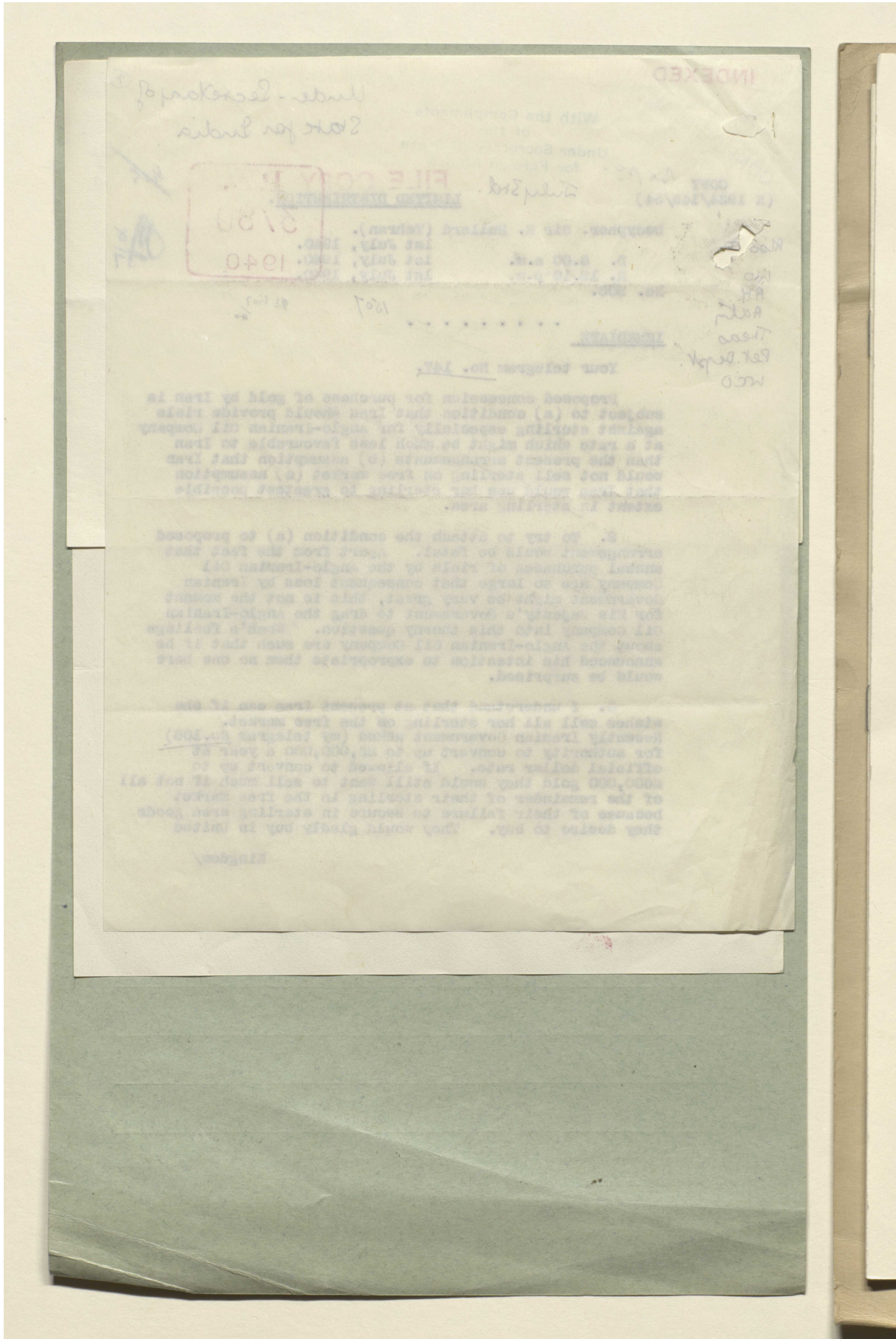
Proposed concession for purchase of gold by Iran is subject to (a) condition that Iran should provide rials against sterling especially for Anglo-Iranian Oil Company at a rate which might be much less favourable to Iran than the present arrangements (b) assumption that Iran would not sell sterling on free market (c) assumption that Iran would use her sterling to greatest possible extent in sterling area.

2. To try to attach the condition (a) to proposed arrangement would be fatal. Apart from the fact that annual purchases of rials by the Anglo-Iranian Oil Company are so large that consequent loss by Iranian Government might be very great, this is not the moment for His Majesty's Government to drag the Anglo-Iranian Oil Company into this thorny question. Shah's feelings about the Anglo-Iranian Oil Company are such that if he announced his intention to expropriate them no one here would be surprised.

3. I understand that at present Iran can if she wishes sell all her sterling on the free market. Recently Iranian Government asked (my telegram No. 106) for authority to convert up to £3,000,000 a year at official dollar rate. If allowed to convert up to £600,000 gold they would still want to sell much if not all of the remainder of their sterling in the free market because of their failure to secure in sterling area goods they desire to buy. They would gladly buy in United

Kingdom/

PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [4v] (8/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [5r] (9/24)

Kingdom but their experience has been disappointing. It is by no means certain that they will be able to secure India rail offer (though on this point I await reply to my telegram No. 197) and they certainly cannot buy in India nor probably elsewhere in sterling area aeroplanes and other war material which they want urgently.

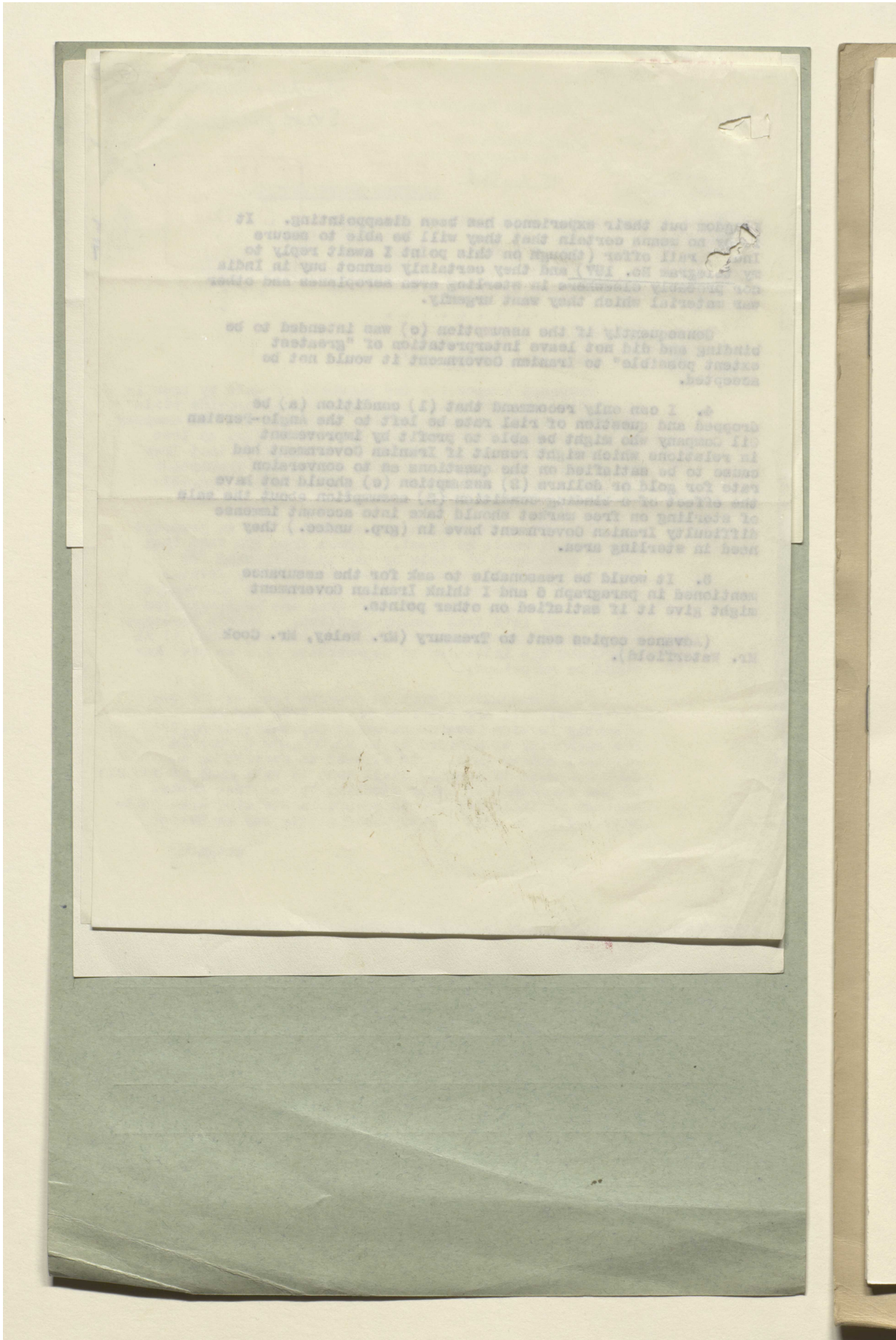
Consequently if the assumption (c) was intended to be binding and did not leave interpretation of "greatest extent possible" to Iranian Government it would not be accepted.

4. I can only recommend that (1) condition (a) be dropped and question of rial rate be left to the Anglo-Persian Oil Company who might be able to profit by improvement in relations which might result if Iranian Government had cause to be satisfied on the questions as to conversion rate for gold or dollars (2) assumption (c) should not have the effect of a binding condition (3) assumption about the sale of sterling on free market should take into account immense difficulty Iranian Government have in (grp. undec.) they need in sterling area.

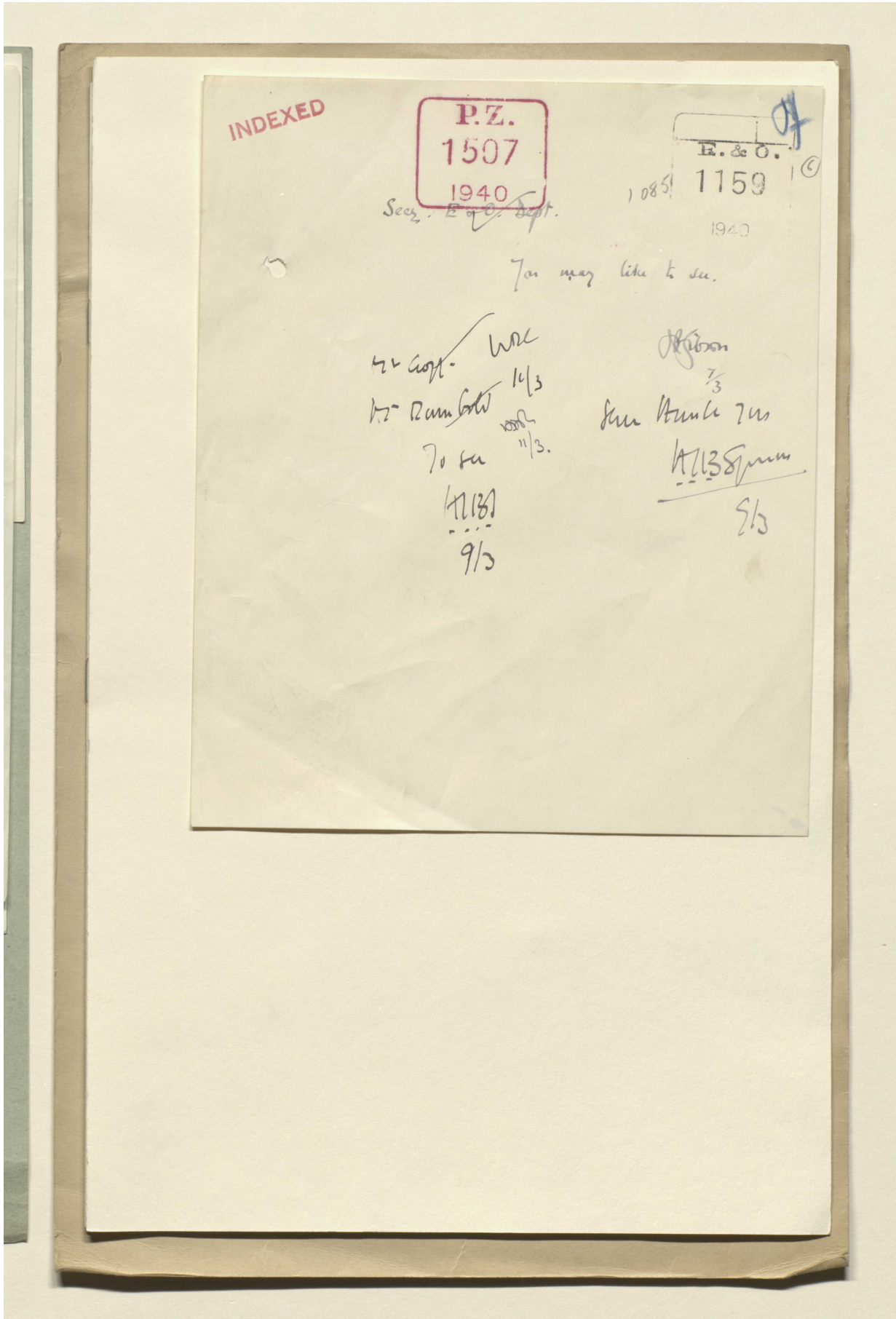
5. It would be reasonable to ask for the assurance mentioned in paragraph 6 and I think Iranian Government might give it if satisfied on other points.

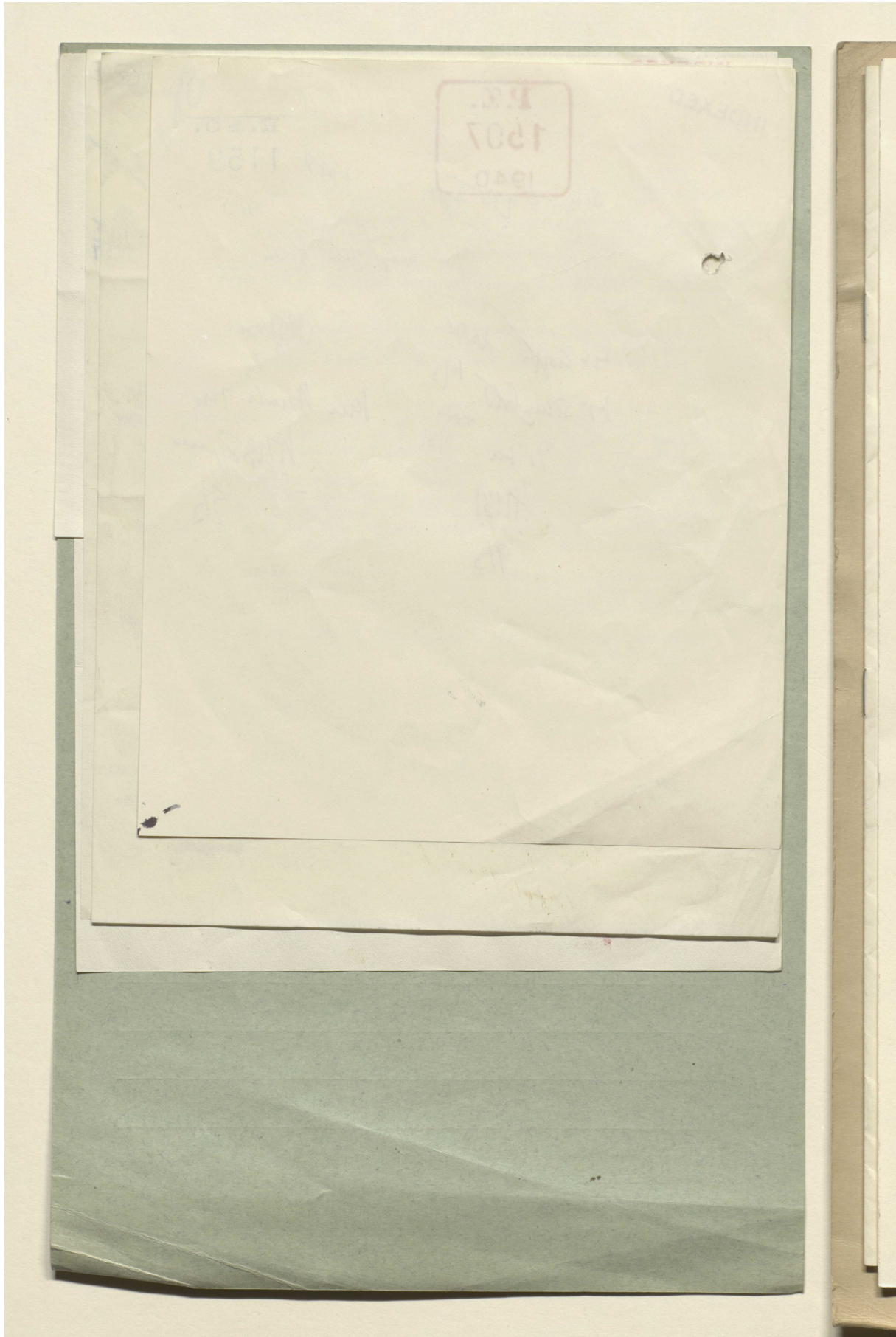
(Advance copies sent to Treasury (Mr. Waley, Mr. Cook Mr. Waterfield).

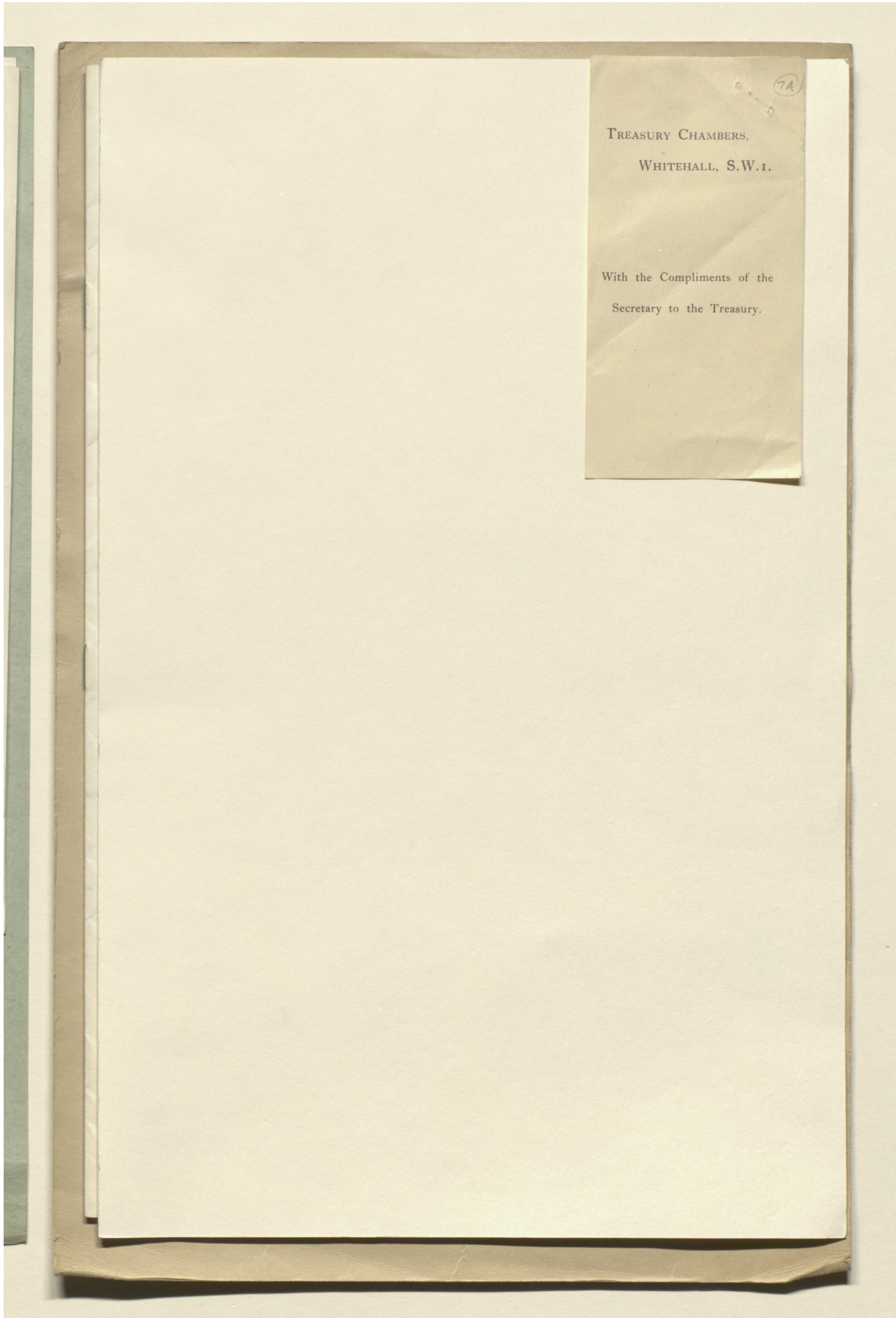
PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [5v] (10/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [6r] (11/24)

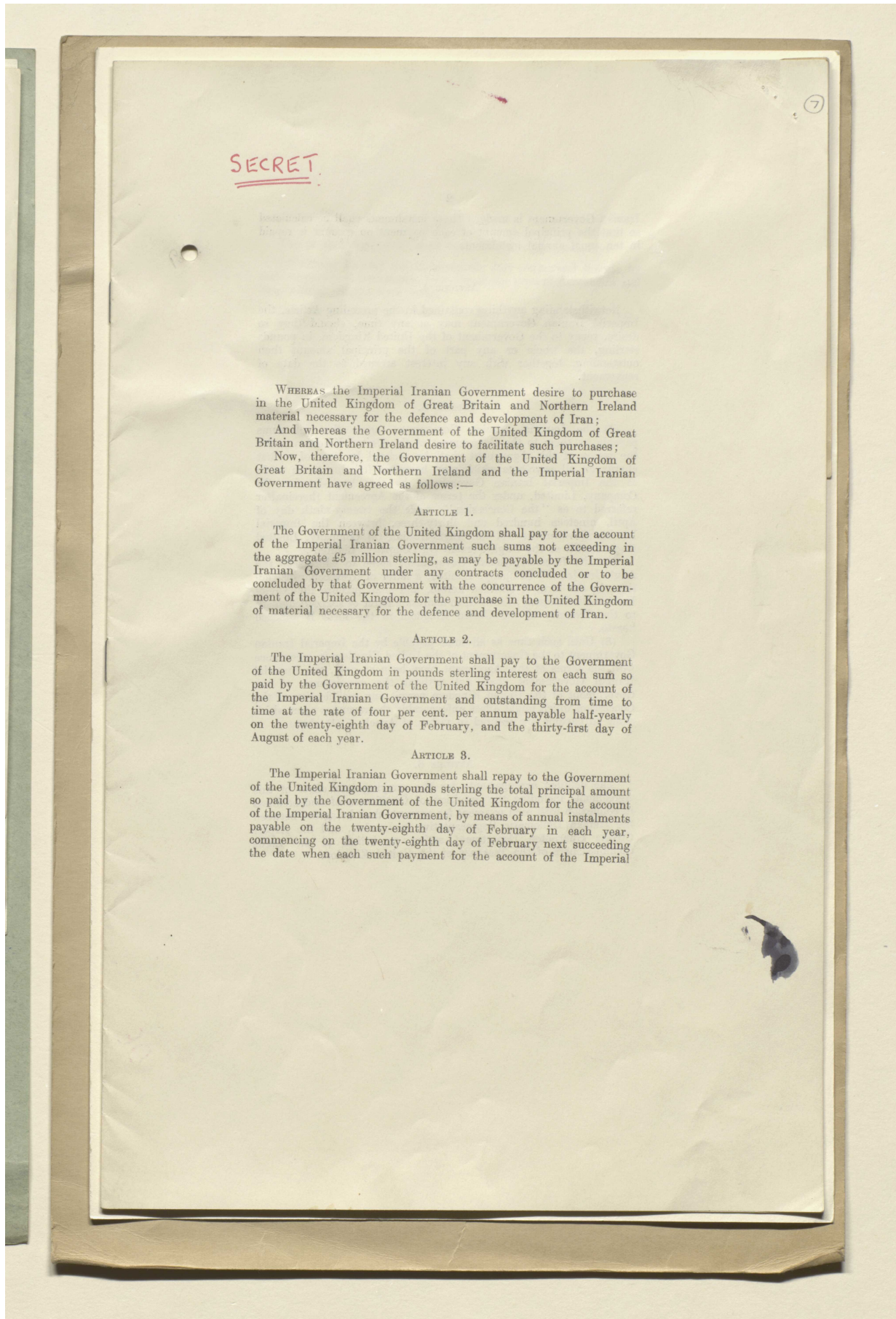








PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [7r] (15/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [7v] (16/24)

2

Iranian Government is made. These instalments shall be calculated so that the principal amount of each payment on account is repaid in ten equal annual instalments.

ARTICLE 4.

Notwithstanding anything contained in the preceding Article, the Imperial Iranian Government may at any time, should they so desire, repay to the Government of the United Kingdom, in pounds sterling, the whole or any part of the principal amount then outstanding, together with any interest accrued to the date of repayment.

ARTICLE 5.

(1) The Imperial Iranian Government agree that all sums payable by them to the Government of the United Kingdom under the terms of this Agreement shall be secured by way of a first charge on all payments which may hereafter fall due to be made to the Imperial Iranian Government by the Anglo-Iranian Oil Company, Limited, under the terms of the Agreement (hereinafter referred to as "the Concession") made the twenty-ninth day of April, nineteen hundred and thirty-three, between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited (then known as the Anglo-Persian Oil Company, Limited).

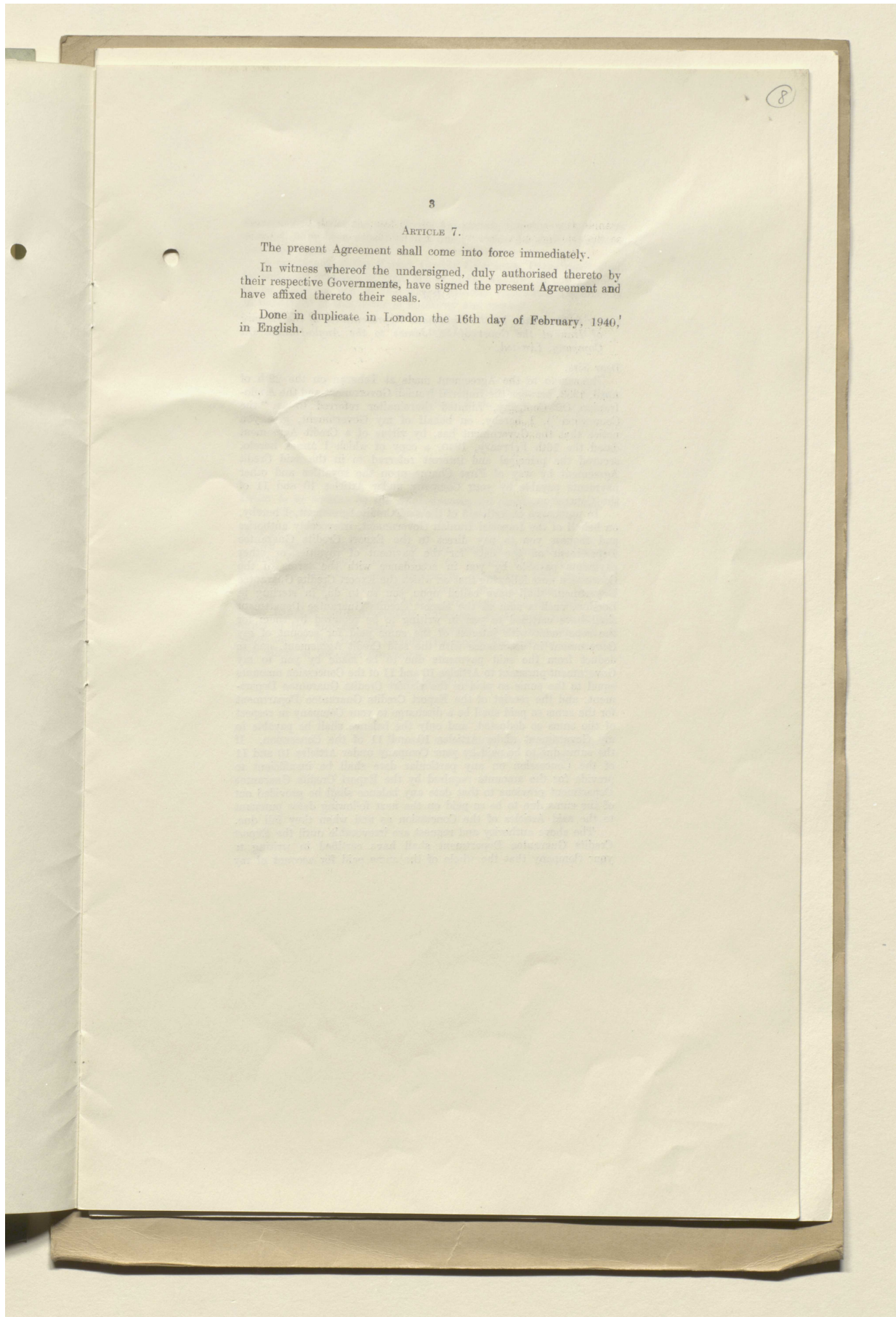
(2) The Imperial Iranian Government agree to address to the Anglo-Iranian Oil Company, Limited, a letter of irrevocable instructions in the form A annexed hereto, and shall procure the Anglo-Iranian Oil Company, Limited, to address a letter of acknowledgment to the Treasury of the United Kingdom in the form B annexed hereto.

(3) Until such time as all sums payable by the Imperial Iranian Government to the Government of the United Kingdom in accordance with the terms of this Agreement have been so paid, the Imperial Iranian Government shall not without the concurrence of the Government of the United Kingdom permit any modification of the Concession which might affect unfavourably the revenues upon which sums so payable are secured in virtue of Article 5 (1) above.

ARTICLE 6.

The detailed arrangements for the carrying into effect of this Agreement, including the provision of Certificates of Indebtedness in connexion with each payment for account, shall be agreed between the Iranian Diplomatic Representative in London, and the Export Credits Guarantee Department acting on behalf of the Lords Commissioners of the Treasury of the United Kingdom.

PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [8r] (17/24)



PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [8v] (18/24)

4

"FORM A."

Letter to be written by the Diplomatic Representative of the Empire of Iran at the Court of St. James to the Anglo-Iranian Oil Company, Limited.

Dear Sirs,

REFERRING to the Agreement made at Teheran on the 29th of April, 1933, between the Imperial Iranian Government and the Anglo-Iranian Oil Company, Limited (hereinafter referred to as "the Concession"), I hereby, on behalf of my Government, give you notice that the Government has, by virtue of a Credit Agreement dated the 16th February, 1940, a copy of which I annex hereto, secured the principal and interest referred to in the said Credit Agreement by way of First Charge upon the royalties and other payments payable by your Company under Articles 10 and 11 of the Concession.

In pursuance of Article 5 of the said Credit Agreement, I hereby, on behalf of the Imperial Iranian Government, irrevocably authorise and request you to pay direct to the Export Credits Guarantee Department on the date for the payment of royalties or other payments payable by you in accordance with the terms of the Concession next following that on which the Export Credits Guarantee Department shall have called upon you so to do, in sterling in London, such a sum as the Export Credits Guarantee Department shall have certified to you in writing to be required by them for the repayment with interest of the sums paid for account of my Government in accordance with the said Credit Agreement, and to deduct from the said payments due to be made by you to my Government pursuant to Articles 10 and 11 of the Concession amounts equal to the sums so paid to the Export Credits Guarantee Department, and the receipt of the Export Credits Guarantee Department for the sums so paid shall be a discharge to your Company in respect of the sums so deducted, and only the balance shall be payable to my Government under Articles 10 and 11 of the Concession. If the sums due to be paid by your Company under Articles 10 and 11 of the Concession on any particular date shall be insufficient to provide for the amounts required by the Export Credits Guarantee Department previous to that date any balance shall be provided out of the sums due to be so paid on the next following dates pursuant to the said Articles of the Concession as and when they fall due.

The above authority and request are irrevocable until the Export Credits Guarantee Department shall have certified in writing to your Company that the whole of the sums paid for account of my

PZ 1507/1940 'UK-Persia: agreement to facilitate Persian purchases of material for defence and development' [9r] (19/24)

