9th October, 1935.

ALL COMMUNICATIONS TO BE ADDRESSED TO THE COMPANY.

ANGLO-PERSIAN OIL COMPANY, LIMITED.

LONDON AND ABADAN.

TELEGRAPHIC ADDRESS: "ANGLOPERS".

PRIVATE & CONFIDENTIAL.

ABADAN,

PERSIAN GULF.

NO. HAC/193.

DATED 31st August 1935.

My dear Miss,

Many thanks for your letter dated the 31st July which describes the present trend of ideas at your end very clearly. These, I may say at once, make me uncomfortable, for I feel that they will, rightly or wrongly, cause unwelcome repercussions in Government circles.

Article 16(3) very definitely lays down that both parties agree to study and prepare a plan which will ensure the annual and progressive reduction of foreign employees, not the production of numbers of trained Iranian employees, although admittedly this is a means towards an end.

Any plan, if such a plan be possible indeed and the article as drafted be capable of fulfilment at all, must in my opinion contain a proposal, subject to the indeterminate factors involved, to reduce the numbers of our foreign employees by \(x\) and then \(x + y\) and then \(x + y + z\) per annum and so on. It is regrettable, but subject to the acts of God and man this is how it is, and I am sure many others also, interpret the clause concerned.

If therefore there is any reason or common sense in what I say, would it not be better to face the main and inform the government that we have explored every possible avenue since the signature of the Concession to give effect to the provision of Article 16 clause (3), but that owing to the very numerous indeterminate factors and the exceeding complexity which face us in every direction, we are forced to the conclusion, that whilst the spirit and meaning of Article 16 is clear enough, the embodiment of clause (3) into a specific plan in such a manner as will satisfy and be agreed to by both parties is impossible of achievement.

We can only suggest, therefore, that a formula, implying a definite accomplishment be accepted, indicating the lines upon which the Company will do its best to fulfill its obligations.

It is considered therefore that the lower figure recommended by Dr. Idelson can be put at 10%.
subject at all times to the indeterminable factors which have
been referred to and specific mention of which can be made.

It is certain that the Government feel that they are
entitled to some such proposal, and this it is surely in our
power to make if its conditions are safeguarded in a proper manner.

In other words, we give practical evidence of our good
faith, which is at present much doubted over this whole question,
and at the same time arrange the affair so that we can turn round
at any time and in justice say that the results have not been up
to expectations for such and such reasons - reserving to ourselves
the right to retain this prerogative always.

The formula, therefore, to which I refer, should take
the shape of this implication, and it is still my opinion that
we can afford and would be wise to offer a definite reduction
in the number of our foreign employees for a given period only
after which the position must be reviewed. Any other alternative
to my mind simply fails to deal with the agreement that we have
made.

Let us then suppose we inform the Government that we
are prepared, subject to clauses (2) and other indeterminable
factors, to reduce our foreign employees for example as follows:-

At the end of the first year by 20 or 10
  second  30 or 20
  third  40 or 30
  fourth  50 or 40
  fifth  60 or 50
  sixth  70 or 60
  seventh  80 or 70
  eighth  90 or 80

Say a total of 330 or 360 in 3 years, and that in order to assist
this endeavour we guarantee the following undertaking, in addition
to clause (4):

(a) To maintain a minimum number of 460 boys undergoing
vocational and apprentice training at our works
in Iran.

It is considered therefore that the lower figure recommended by
Dr. Idelson can be put at 10%.
7th October, 1925.

(b) To contribute entirely towards the primary education of 500 boys and the secondary education of 200 boys in the Province of Khustain.

This then, in my opinion, is a plan which I contend would withstand the arbitrament of any normal arbiter.

I appreciate very well that Idelson objects to our saddling ourselves with obligations which are so entirely beyond that which our concession calls for, but my view is that you cannot have a plan based upon thin air, and you must have weapons to wage war and with which to attain your objective.

It is for this reason that I regard a production plan alone as far too ephemeral, but a production plan plus a formula to work to has the semblance of some substance.

I can well understand, however, our reluctance to even imply that we can make a definite numerical reduction in our foreign employees each year, no matter how the proposal is surrounded by safeguards. This reluctance is due to the uncertainty brought about by fluctuations in the programme of work and throughout.

Is it not possible then to relate the number of foreign employees to the annual expenditure, i.e. the budget, and to the annual production. Thus for instance, if a total expenditure of $1 million requires the employment of 400 foreign employees today, and using this as a yardstick creates an annual expenditure of $1 million - also can we relate the numbers employed for a formula which would be in conformity with past results, so as to say the formula if applied to the past would give us the position which we are in today. In other words, can Idelson work out a formula which would be in conformity with past results, that is to say the formula if applied to the past would give us the position which we are in today? If so, instead of implying a reduction in accordance with the figures above, which are quite arbitrary and make no allowance for fluctuations in programme, throughout, or expenditure, we might be able to imply a basic reduction on an agreed datum which would be influenced arithmetically by the variations in the expenditure and production.

It is considered therefore that the lower figure recommended by Dr. Idelson can be put at 10%.
For example, let the expenditure be £5 million per annum and the number of foreign employees 2000. Then under present circumstances an expenditure of £1 million implies the employment of 400 foreigners. Let us then take the expenditure of £1 million as the datum level and say that we can reduce the number of foreigners relevant to this at the rate of 25 per annum. Then after one year the number required per £ is 325 and for £5 million, 1625, but should the expenditure rise to £6 million after 2 years then the number of foreigners permissible under the formula would be £180 or \[ (300 - (20 \times 2)) \times 5 \]

Now this is one curve and your next curve should be production in millions of tons relative to foreign employees, and it might then be possible, by a combination of the two curves, to obtain a satisfactory relationship between the three factors concerned. The great advantage of this procedure, if it be possible, is that whilst we do our best to reduce, and possibly excise, our basic figure, our totals always bear an automatic relation to the programme.

Yours sincerely,

[Signature]

N. A. Gask Esq., M.C.,
Britannic House, London.

It is considered therefore that the lower figure recommended by Dr. Idelson can be put at 10%.