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DEPARTMENT OF STATE
ACTION MEMORANDUM

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S/S *AK*

SEP 9, 1971

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*AKS
9/20/71*

TO : The Secretary

FROM: NEA - Joseph J. Sisco *JJS*

Gulf Islands: Letter to Douglas-Home

The British and Iranians have agreed in principle on an arrangement for resolving the dispute over the Gulf islands of Tunbs and Abu Musa in a manner meeting Iran's basic claim to sovereignty but providing face-saving and important financial concessions to the Arab shaykhs involved. The British still face the difficult task of obtaining the agreement of the Arab shaykhs to this arrangement. September 7 the Shah conveyed to Ambassador MacArthur the message that he can go no further to accommodate the British. If the agreement does not materialize because of the shaykhs' resistance, the Shah wants us to know that:

- a) Iran's relations with UK will be seriously jeopardized;
- b) Iran will denounce the proposed Federation of Arab Amirates; and
- c) Iran will reserve its right to take such action as it deems necessary to protect its national interest.

The Shah has passed the same message to the British Government.

I agree with Ambassador MacArthur's assessment (Tehran 4970, Tab C) that the Islands' dispute has now reached a crucial stage in which the British must persuade the shaykhs to accept the arrangement negotiated

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File 73-5 Iranian Navy

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with Iran if there is to be stability and cooperation in the Gulf after British withdrawal.

While I am certain that the British will make a sincere effort to persuade the shaykhs to accept the agreement, I think we should be on record as encouraging this British effort. I believe the proposed letter from you to Douglas-Home is the best way to assure that the British appreciate the seriousness with which we regard this problem. I suggest we cable the text of the letter to London for delivery prior to receipt of the signed original.

Recommendation:

That you sign the attached letter to Douglas-Home (Tab A) and approve the telegram conveying the text in advance (Tab B).

Attachments:

- Tab A: Suggested letter to Douglas-Home
- Tab B: Telegram conveying advance text of letter
- Tab C: Tehran 4970 (EXDIS)

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Drafted: NEA/ARP JTW:tw:nb
x21481 2/8/71

Concurrences: NEA - Mr. Davies *RM* EUR/BMI - Mr. Burns *(draft)*
NEA/IRN - Mr. Dowell *(draft)* *Mr. for*
NEA/ARP - Mr. Murphy *(draft)*