Emb has read several sources increasing indications polit position Mossadeq Govt may have been considerably weakened by developments of past two weeks. Emb appraisal present sit fuals:

1. Majlis is becoming increasingly restive. Prim reasons are:

   (1) Many deputies now (rpt now) realize oil impasse threatens Iran with serious financial difficulties. They state privately govt must quickly inform country its plans to avoid or mitigate impending econ crisis. However, there is no (rpt no) evidence that any elements in Majlis yet prepared to assume responsibility for govt action to modify law nationalizing oil industry or to raise additional revenues from new taxation or other sources.

   (2) Manner in which seized AIOC documents were exploited for polit purposes by nati front members of govt has aroused indignation of many, especially those fearing to be implicated, and this controversy has deprived Cabinet of some of its press support.

   (3) Increasing confusion and inefficiency in conduct ordinary govt affairs and lack of confidence in integrity of Fathali, parliamentary under secy, who is active administrator PRMINN's office, has led to public criticism. Tolu stated July 11: "Men surrounding Your Excellency are not endowed with an iota of faith and piety. These men wittingly or unwittingly add to the difficulties of the country".

   (4) Demagogic tactics employed by Mossadeq supporters to keep nationalist sentiment at high pitch have alarmed many deputies, altho few have voiced concern publically. However, Abdul Qadir Amad, former member nati front, in Majlis session July 8 made strongest attack so far noted against Mossadeq govt,oning phrase "hallyho cabinet" to characterized demagogic aspects its policy. His attack was enthusiastically 

endorsed
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endorsed by some sections Tehran press heretofore neutral. Several Emb informants state Mosadeg now (rpt now) likely to encounter difficulty in mustering quorum to consider any legislation he may introduce. Electoral law and similar measures will be held in abeyance for this reason, but pending ini bills are urgent. Ostensibly because of ill health, he did not (rpt not) appear at secret Majlis session called July 8 for report on latest oil developments. It seems more likely real reason was to avoid embarrassing questions re oil impasse.

2. Cabinet is becoming increasingly dissatisfied with Mosadeg's penchant for making decisions with a small group close advisors without full consultation Cabinet. MIn Education rumored to have been especially outspoken at meeting July 10 to consider Truman's message at manner in which rejection IGO decision was handled. Varasteh, MIn Fin, has also been in disagreement with Govt and is widely reported to have offered to resign.

3. Press, in addition to DAD and TOIL, which have been critical throughout, is taking somewhat more critical line re handling of oil issue [EMTEZ 146 July 11]. However, ETTELAAT and KETMAN, particularly the latter, continue their support.

4. Mosadeg has announced group of physicians will submit report on his physical condition. Purpose may be to lay basis for graceful exit.

5. Foregoing developments have given rise to usual speculation concerning possible successor. Possibility has been suggested that FORODK Emami or Senator Matine-Dastar may be asked to carry on as acting premier with Mosadeg in advisory capacity. Rumored also that Qawan Saltameh, whose health has reportedly been much improved by his sojourn in Switzerland, will return Tehran next few days and will have backing of Shah in event change shld occur. Another possibility is that Sadr Fakhr Hakimi, Majlis President, might be asked to form govt. Seyed-Zia not now considered likely candidate although he has revived activities among his political followers. General Zahedi also mentioned but his chances considered slight in view reported opposition of Shah. Mosadeg's current followers, having in mind impending seventeenth Majlis elections, and importance of controlling electoral machinery at that time, will exert their influence to prevent Mosadeg resignation.

Comment: Despite foregoing factors pointing to increased weakness, fact remains that Mosadeg still has very strong popular support and that no group has indicated willingness to assume responsibility for any modification of oil nationalization program which is basis Mosadeg power.

We believe
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We believe that there is little doubt that for the present Mossadegh can continue control Majlis and govt.

GRADY

JRM:MAH