INCOMING TELEGRAM

TELEGRAPH BRANCH

FROM: Tehran

TO: Secretary of State

REC'D:  July 29, 1951
7:49 a.m.

SECRET

SENT LONDON 90 FOR HARRIMAN AND CLIFFORD RPTD DEPT 424

FOR PRESIDENT AND SECRETARY

NO (RPT NO) DISTRIBUTION EXCEPT AS DIRECTED BY SECT'S OFFICE.

Saw PRINCE at 10:45 this morn and discussed with him fully
content of London's 33 July 28. He was most cordial and
expressed his very great desire to have the oil question
promptly settled. He understands that discussions and
conditional reply of Brit to Iran Govt is matter of deep
serious and Brit reply will only be submitted when there are
assurances from him that it is acceptable. He made no (rpt
no) difficulty about the wording and was agreeable to having in
the Brit reply and Iran reply ref to importance of relieving
present tensions which exist in south. He says there is no
(rpt no) tension of serious nature there and he is perfectly
willing under circumstances to agree that what tension exists
shall be relieved in every way possible.

He has called the mixed comm and Cabinet for meeting at once
and will give me more formal reply this evening or first thing
tomorrow morn. In meantime, he authorized me to tell Mr.
Harriman that he has no (rpt no) objection to proposed exchange
of notes and their publication and will welcome the coming here
of a mission headed by a Cabinet min of Brit Govt. However,
he asked me to say to Mr. Harriman as his own views prior to
meeting of mixed comm and Cabinet the fol: That he assumes Mr.
Harriman has brought to the attm of Brit Govt and Brit
understand and accept the minutes of Cabinet meeting which he
read to Mr. Harriman on July 23 (ref EMOTT 440 to Dept July
24 rptd London 65). He read 3 points from document in his
files:

1. Brit Govt must recognize on behalf of AIOC principle of
   nationalization of southern oil.

2. The Iran
-2- 424, July 29, 1 p.m. from Tehran.

2. The Iran understanding and definition of "principle of nationalization" is that "discovery, extraction, exploitation of oil must be in hands of Iran Govt." He said the sale of this oil would fall under pertinent article of the nine-point nationalization law.

3. Brit Govt must understand Iran Govt rejected Jackson's proposal and will not (rpt not) accept any proposal along same lines.

He rpd several times that he assume Mr. Harriman had informed Brit of foregoing so that Brit mission will not (rpt not) come out to Iran and say they have only accepted their interpretation of "principle of nationalization". PRM said he is quite willing to accept Mr. Harriman's statement that Brit understands and accept above 3 points and does not (rpt not) require Brita to write anything to this effect in their formal reply to Iran Govt.

You may be sure I urged him not (rpt not) to put conditions as prerequisite of negos whether these are done directly or indirectly thru Mr. Harriman, but he insisted there was no (rpt no) use of Brit mission coming unless Iran position was clearly and definitely understood.

Will wire at once any further word we get from Mosadeq.

GRADY

NOTE: Mr. Ferguson (FTI) informed 9:20 a.m. 7/29/51 KN