FROM: Tehran
To: Secretary of State
Re: 424, July 29, 1 p.m.

SECRET

SENT LONDON 90 FOR HARRIMAN AND CLIFFORD RPTD DEPT 424

FOR PRESIDENT AND SECRETARY

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

Saw PRIMIN 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 secrecy 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 refer to importance of relieving present tension 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 could 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 foll: 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 EMTEI 340 to Dept July 24 rpt 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
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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 falls under pertinent article of the nine-point nationalization law.

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

He rptd several times that he assume Mr. Harriman had informed Brit of foregoing so that Brit mission wld not (rpt not) come out to Iran and say they have only accepted their interpretation of "principle of nationalization". FRMKM said he is quite willing accept Mr. Harriman's statement that Brit understand and accept above 3 points and does not (rpt not) require Brits 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 negot 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 (PTI) informed 9:20 a.m. 7/29/51 BN