FROM: Secretary of State

TO: [Redacted]

DATE: July 31, Midnight

PRIORITY

SENT NIAC LONDON 99 (EYES ONLY GIFFORD), RPTD PRIORITY
DEPT 458.

FROM HARRIMAN FOR THE PRESIDENT AND SECRETARY.

NO DISTRIBUTION EXCEPT AS DIRECTED BY THE SECRETARY'S OFFICE.

I have had talks today with Shah, Mosadeq and Busheri and the Cabinet has had long session. Mosadeq and Busheri came to dinner tonight to explain Persian Cabinet decision. I believe Iranian Govt wants to give cordial and responsive reply to British but their principal difficulty has been to avoid public admission that they alone are to blame for existing tension. They have decided that it will not (rpt not) be possible for them to give type of reply desired without some modification in British msg. Under the circumstances, they have indicated that if certain changes in wording of British msg were made, they could avoid qualifying phrases and conditions in the Iranian reply. If these changes are acceptable to British Govt the Iranian reply can be considered as official. Amended British msg follows:

"HM have received through Mr. Harriman the Persian Govt's formula for negotiation between HMU, on behalf of the Anglo-Iranian Oil Co., and the Persian Govt's msg for discussion of matters of mutual interest to the two Govts.

"His Majesty's Govt are desirous of availing themselves of this formula and are prepared to negotiate in accordance with it, but it will be appreciated by the Persian Govt that the negotiations, which His Majesty's Govt for their part will enter into with the utmost good will, can not (rpt not) be conducted in satisfactory manner unless the present atmosphere is relieved. On the assurance that the Persian Govt recognize this fact and will enter into discussions in the same spirit, a mission headed by Cabinet Minister will immediately set out."
SECRET

2- #452, July 31, Midnight, from Tehran.

"HM recognizes on their own behalf, and on that of the company, the principle of the nationalization of the oil industry in Persia."

Iranian reply follows:

"The Iranian Govt is pleased that, in accordance with the formula submitted by Mr. Harriman, the British Govt has recognized on its own behalf and on that of the former company the principle of nationalization of the oil industry in Iran, and is sending mission to Iran to negotiate. The Iranian Govt recognizes the essentiality, in the interest of the success of the negotiations, of both Govts creating the best possible atmosphere, and will enter into the negotiations in the same spirit of goodwill expressed by the British Govt."

You will note that Iranians prefer to use "formula" to "proposals" and "invitation" and also asked that the British indicate that they are ready to negotiate in accordance with formula. It seems to me that this is reasonable and is in fact what the British expect to do. Iranians put great emphasis on change of word "tension" to "atmosphere" and I have found them adamantly on this point as result of their lengthy Cabinet discussions of matter during last few days. I have not (rpt not) been able to move them from this position. They considered "analytic" as being harsh and unfriendly and prefer substitution as indicated. This change appears unimportant. My principal argument has been for inclusion of the words "in the south" or the substitution of "in Iran". Here is where they made the strongest objection under some qualifying language denying full responsibility for situation was put in their reply. They frankly pointed out that British Govt's msg as changed above clearly indicates British Govt is talking about conditions in Iran and this implication they are prepared to accept.

In Iranian reply the two previous objectionable points--reference to discussion of "the law" and denial of existence of tension--have been extermated and its cordial tone will appear more than to compensate for the modifications in British msg.

When I saw Shah he expressed earnest hope that British will accept the above exchange of msgs as he feels strongly that arrival of British Minister will have important psychological effect here.

For my
-2- #458, July 31, Midnight, from Tehran, on 52.

"Prime Minister recognizes on their own behalf, and on that of the company, the principle of the nationalization of the oil industry in Persia."

Iranian reply follows:

"The Iranian Govt is pleased that, in accordance with the formula submitted by Mr. Harriman, the British Govt has recognized on its own behalf and on that of the former company the principle of nationalization of the oil industry in Iran, and is sending mission to Iran to negotiate. The Iranian Govt recognizes the essentiality, in the interest of the success of the negotiations, of both Govts creating the best possible atmosphere, and will enter into the negotiations in the same spirit of good will expressed by the British Govt."

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SD\x14MH  For my
TO: Embassy
-3- #458, July 31, Midnight, from Tehran.

For my part I cannot state too strongly my judgment that further debate over the language of these msgs will prejudice atmosphere for negotiation of the important substantive questions when Stokes arrives. I therefore earnestly hope that British Govt will find it possible to accept without change the suggested msgs. In this case they can consider the exchange as final and arrange for the immediate departure of Stokes. I will appreciate your taking the matter up with British Govt urgently, advising me soonest of their decision.

SMD: VH

#As received, verification requested.