FROM: Tehran

TO: Secretary of State

NO: 724, August 20, 5 p.m.

PRIORITY

SENT DEPT 724, LONDON 155 EYES ONLY AMBASSADOR.

FROM HARRIMAN FOR PRESIDENT AND SECRETARY.

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Mosadeq called on Stokes and myself this morning. Mosadeq and Stokes discussed possible arrangements for sales, compensation and manner by which British staff might be employed. Stokes was encouraged as Mosadeq moved a little from his former rigid positions. Following meeting Mosadeq told press "we had very good talk", and expressed hope agreement might be reached. I participated only as a listener.

Mosadeq told us during conversation that if agreement was not reached, he would put Stokes eight-point proposal with Iranian reply (MYTEL August 19) to Majlis on Thursday and ask vote of confidence.

Shah had sent me message through Ala to this effect last evening explaining that such a move by Mosadeq at this time would obtain strong Majlis support, greatly strengthen Mosadeq's position and weaken that of Shah and that Shah would try to prevent this move. I am seeing Shah this afternoon. Our talks with Mosadeq will be resumed tomorrow.

It is too early to judge whether there is real chance of agreement or whether a way can be found to avoid a break in negotiations being used by Mosadeq to strengthen his position.

GRADY

Note: NEA informed 8/20/51 2:10 p.m. JAW