TELEGRAPH BRANCH

Secret

FROM: Tehran

TO: Secretary of State

NO: 781, August 23, 3 p.m.

PRIORITY

SENT DEPT 781; RPTD LONDON 171 (EYES ONLY AMBASSADOR)

FROM HARRIMAN FOR PRESIDENT AND SECRETARY.

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Stokes' farewell talks this morning were highly satisfactory. He told Mosadeq that a firm bridge had been built both by the so-called Harriman formula which permitted negotiations to commence and by exchange of information and views during his stay here. It was agreed that negotiations were suspended, not broken off and Stokes said he hoped return just as soon as way was found to move present block on bridge. This he described was carry out mutually agreed upon objective namely manner in which British staff could be employed to serve Iran oil industry. They both agreed to make friendly and optimistic statements to press and I listened to Stokes remarks to reporters at airfield which were substantially along above lines. He removed from his previously prepared press release sharp language which did not (rpt not) conform to spirit of their understanding.

When he saw Ala he apologized humble for his comments last night and later asked me to make sure that Ala fully realized his chagrin. In his talk with Shah he told him that he did not (rpt not) see how he could possibly arrive at agreement with Mosadeq particularly because of Mosadeq's advisers and because Mosadeq himself really had no (rpt no) conception of problems of production and sale of oil. His other farewell talks were equally cordial.

I now plan to try to leave Friday night or Saturday at latest depending on whether I can have all necessary talks. I hope to see Mosadeq this afternoon and I am invited to lunch with Shah tomorrow. I will go direct to Belgrade for perhaps two days and then to London, as Stokes has urged me to talk

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By H.L. DEG, D.D. 7-5-37

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with his colleagues. This I am satisfied is desirable.
After one day in Paris I will return home which should be by the end of next week.

GRADY

DUICER