Former Senator Millard Tydings came in this morning at 10:30 by appointment. He said he was sorry the Secretary was not in, but he felt the matter he wished to discuss was so urgent that he wanted to present it at the earliest possible date.

He said that approximately three months ago, Prime Minister Mossadegh of Iran sent a confidential message to him, stating that he wanted Tydings to act on behalf of Iran and attempt to negotiate an oil settlement with the British. The Prime Minister said he was sending Tydings an outline of the six main points which Mossadegh felt were essential to a settlement from the Iranian point of view and was also setting forth the limits, in terms of negotiation, beyond which Tydings could not go. Mossadegh felt it was essential that Tydings conduct his negotiations with the British on American soil and not, under any circumstances, go to the U.K.

After considering the status and gathering information on the Iranian oil situation for approximately two weeks, Tydings decided to do two things. The first was to request Mossadegh to send an adviser to the U.S. so that if Tydings entered into negotiations and any problem relating to the facts of the situation arose, on which Tydings might not be informed, he would have Iranian advice at hand. The second was to proceed to New York and discuss the matter with the top officials of Morgan and Company.

Mossadegh refused to send an adviser, and informed Tydings that he could not rely on anyone around him. He said Tydings had his confidence and would have to manage on his own, framing his position on the outline which Mossadegh had sent.

Tydings explained that it was his plan to get in touch with the British through Morgan and Company, and if negotiations were to be held, he then would inform the Department of State. If the negotiations were not to be held, there would be no point in informing the Department.

Tydings proceeded to New York and discussed the matter with Mr. Alexander, President, and Mr. Lamont of Morgan and Company.
After two days' consideration, Alexander telephoned Tydings and said he was willing to get in touch with the U.K. Government in London, as Tydings had suggested, and urge the British to send someone to the U.S. for the purpose of negotiating with Tydings. Tydings' idea was that these negotiations would be carried on very quietly in New York and that if something useful resulted, an appropriate means to make the results public could be devised later. If nothing useful resulted, there would be no loss of face or public recrimination on either side. Tydings hoped that Sir William Fraser would come over. The Morgan Company had earlier told Tydings they had no particular interest in the matter other than as a private banking firm and that they no longer (as Tydings had tentatively suggested they might be in light of the history of the Company) were interested in playing any special role in the international scene. The Company told Tydings they did not have any unique relationship with the U.K. Government nor with the Anglo-Iranian Oil Company. However, in his call to Tydings, Alexander said that he was willing to fly to London and have his agents there contact the British Foreign Office. Mr. Tydings suggested that the inconvenience of a flight was not necessary and that he thought a telephone call followed by a confidential letter would do the job. Alexander agreed.

Several days later Tydings received a call from Morgan and Company telling him he was to present himself at the British Embassy and, although he was not to be identified previously by name, the British Ambassador would be expecting someone. Tydings presented himself to Ambassador Franks and apparently several discussions were held. The result was that Tydings was told that the U.K. Government preferred to conduct its negotiations through regular channels and in particular through its Embassy in Tehran which could speak directly to Dr. Mossadegh.

Tydings said that nothing farther had developed along the line of negotiations. He now was coming to the Secretary in order to tell the latter of his own personal conviction that the time was ripe for arbitration. He believed that diplomatic negotiation could not possibly succeed in the super-heated public atmosphere of Iran. He thought it essential to get into arbitration as quickly as possible, and he also thought that a loan should be made to the Iranians on an urgent basis in order to help Mossadegh to hold economic situation
in check. He understood the Iranians were going to approach the International Bank and he hoped that the Bank could approve a loan. Approximately $25,000,000 would be sufficient, at least in the beginning, to permit Mossadegh to control the situation. If a settlement was not reached very soon, Mossadegh was going to lose control and the extremist Molla Kashani would take over.

Kashani was under the impression that he could dominate a coalition with the Tudeh. However, the Senator felt that this was nonsense and that the Communists would wind up in control of the situation. This would, of course, mean the loss of Iran, create further instability in the Middle East, and be a very great threat to our entire security position. He emphasized that he was acting, in regard to the arbitration suggestion, entirely on his own volition and that he had received not even the slightest suggestion from Mossadegh that he should approach the Department. However, he felt sure Mossadegh was anxious for a way out and was ready for arbitration. He implied that because of his knowledge of the situation and because Mossadegh had seen fit to place such confidence in him, he could be very useful in any proceedings. He said perhaps arbitration could be conducted by a representative from each side with no referee being present. However, he was not as familiar as the Department would be with regard to what form the arbitration should take.

Tydings said he hoped that no one but the Secretary and myself would be informed of his past participation in this matter and that it would be possible for him to speak to the Secretary at a very early date if we had any questions to ask, or if we desired his assistance in any way. He reemphasized that this approach was not under instructions from any Iranian.

I asked the Senator what the nature of the reaction of Morgan and Company had been to his approach. He said that he had told them that, as he saw it, there were only two general benefits for the Company in participating or assisting him. The first was that the Company would have assisted in stabilizing a very troublesome area and that business would benefit generally. The second was that if the AIOC, which would continue to do a large business in the marketing field, or the NIOC, the operating mechanism for the Iranian Government, should be appreciative of the part played by Morgan and Company in helping to arrange a settlement, they
might well consider using the banking facilities of the company in future transactions. I inquired whether Morgan and Company had had any previous record of large dealings with, or on behalf of, the AKOC, and Tydings replied in the negative.

I asked the Senator whether he felt that the AKOC, as distinguished from the U.K. Government, was ready for arbitration. He said he thought they were. They naturally wanted to get back as close as possible to their previous position in Iran, but he was inclined to believe they had finally realized that if they could not regain possession of the facilities they would be well advised to accept as full a settlement as possible for their interests. I remarked that the U.K. Government, although a 53 percent stockholder in the Company, had apparently not seen fit to force the Company's hand in the past and that I doubted very much that the present U.K. Government, particularly the Prime Minister, would be inclined to take any more reasonable line or to urge the Company to take steps which it did not wish to. Tydings said that he realized this was so but he nevertheless was inclined to believe that the Company was ready for arbitration. If they had not yet reached that point, he remarked, it was essential that our Government direct its efforts toward having them accept arbitration because the time was growing very short. Mossadegh had reached a point where he could trust no one around him and more radical elements were on the verge of taking over.

I remarked that there had been some reports from the British press in the last day or two that the U.K. Government was attempting to modify its policy in order to reach an agreement. The Senator replied that he was not as familiar with the current situation as we would be because his communications with Tehran were "not all electric" and he had been forced to depend largely on communications received through messengers. He remarked that, in fact, Mossadegh had gone to some pains to ensure that communications between himself and the Senator were entirely secret and had not gone through any usual channels of communication. Mossadegh had felt that this was necessary in order to keep the British and American Governments and most of the people in his own Government from finding out what he was attempting to do.
I thanked the Senator for coming in and said I would see to it that the Secretary was informed at the earliest possible date.

(It was my impression Senator Tydings was very sincere in his belief that there is very little time left in which to reach a settlement and that he is genuinely concerned lest Mossadegh be pushed out by more anti-Western elements in Iran. At the same time, since his negotiations with the British did not come into being, he undoubtedly is very interested in continuing his personal role in this matter, if possible as an Iranian representative in the arbitration proceedings when and if they are established.)