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~~TOP SECRET SECURITY INFORMATION~~

SUMMARY OF TELEGRAMS

BALTIC
MANEUVERS

Our Ambassador at Oslo had discussed with Admiral Brind details of the Baltic phase of MAINBRACE. He reports that apparently the main reasons for having a Baltic phase of MAINBRACE are that (a) Danish forces need the experience, especially in conjunction with Allied Forces; (b) the Danes would also derive much reassurance as to Allied concern for Danish defense and willingness to aid directly in it and (c) the Danish military planners under Admiral Brind proposed and developed the Baltic phase of the exercise themselves, although without much initial political guidance, and would have had ships of several nationalities calling at Bornholm if Admiral Brind, and later the NATO Standing Group, had not modified that portion of the plan.

As now planned, the exercise calls for three light British Naval vessels to proceed 30 nautical miles eastward of Bornholm. These vessels will then move west toward the Danish coast simulating an attacking force, taking care to stay at least 15 miles away from the non-Danish coast. Allied submarines, MTBs and other small craft are supposed to detect and intercept. The only vessels putting into Bornholm are to be small Danish craft for refueling purposes during one day. Allied aircraft will not go out over the Baltic area. The waters thus being utilized by the naval units have been chosen partly because they are about the only ones in the eastern Baltic deep enough for submarines and because they have heretofore been used for naval exercises by the Danes and even by the British in connection with the Danes. From a strictly military viewpoint, the Baltic phase and especially the Bornholm part of it is a relatively minor segment of the whole. If necessary, the exercise could be modified by eliminating the refueling visit to Bornholm and even by moving the eastern limit of the exercise further west. Our Ambassador gathered that such limitations would have their technical disadvantages.

Admiral Brind has informed SHAPE that if the final decision is to modify the exercise, he would endeavor to handle his next public announcement in such a manner as to minimize reaction thereto. He considers he has not so far disclosed just how far east his ships actually will go. He had publically confirmed that no American forces would participate in the Baltic and that no "foreign forces" would go to Bornholm.

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Our Ambassador reports that Admiral Brind himself would like from an operational standpoint to proceed as planned but recognizes that the final political judgment is beyond his competence and that it could dictate modification or even cancellation of the Baltic phase. In that event he would cooperate to the best of his abilities to minimize the political effect of such action.

IRAN Key substantive personnel of the Embassy at Tehran have re-evaluated the problem facing the United States in the light of the attitude demonstrated by Mosadeq upon presentation of the recent US-UK note.

It was the concensus that unless before September 3, Mosadeq could be given assurances satisfactory that Iran would receive in the immediate future financial and economic assistance with relatively few strings attached from UK or US or both collectively in amounts aggregating not less than one hundred to one hundred and fifty million, chances were at least more than even that he would take radical measures which would profoundly affect the present international situation and the future of Iran. Among steps which he would most likely take would be (a) severance of diplomatic relations with the UK, (b) recall of US Military Missions and refusal to accept further US military aid, (c) a series of measures designed to five expression of resentment against the US, such as, request that individual members of the Embassy be recalled on the fictitious grounds of interfering in Iranian internal affairs, withdrawal of certain privileges and courtesies in matters of exchange, customs, etc. He might even go so far as to permit harrassment of Point IV activities to such an extent that they could no longer be effectively carried on. These steps would probably be accompanied by intensification of the anti-British and anti-American agitation and of efforts to sell crude oil abroad, particularly to "independent" U.S. oil companies who Mosadeq appears to believe are now prepared to buy.

Ambassador Henderson agrees with this concensus and observes that, at present, unfortunately there are no Iranians trusted by present government who are capable of formulating and carrying out most of reform programs which are being proposed. Furthermore Iranian suspicion of foreigners is so intense that foreign advisers, no matter how tactful, intelligent, able and "neutral", are certain to encounter great difficulties in their efforts to formulate and execute programs. It is by no means certain therefore that if massive assistance were extended to Iran in form of money or goods it would be utilized to best advantage. Furthermore there is no assurance that extension of such assistance would promote long term good feelings between Iran and country which gives. On other hand, failure to extend this assistance might result in series of immediate disastrous reversals for free world.