Morshed called on Stokes and myself last evening (Wednesday) at 7:30. He opened his remarks by saying that he could assure Stokes he would agree to operating arrangements which would satisfy British staff and that he therefore wanted to go on and discuss the other points. Stokes maintained that he must settle operational question first and after agreement on that he would proceed to other points. Mosadeq showed clearly that he did not want to be pinned down on management question but become involved in financial matters and come back to the first question only if other points were settled. When Stokes pressed him on arrangements for British staff, he showed he had no comprehension of the matter. Thereupon Stokes declined to proceed, stated he would leave today (Thursday) but would return today (Thursday) but would gladly return as soon as government was prepared to deal with question of staff in workable manner. He and Mosadeq agreed negotiations were not broken off but were only suspended and could be reopened at any time on basis of so-called Harriman formula. At a few minutes before 9 o'clock he handed Stokes and myself document in Persian explaining that this stated the Iranian Government position on over-all problem. When Stokes asked that it not be published until he had had chance to study it with his government in London, Mosadeq replied that it had already been released. It was quoted on Iran Radio at 9 p.m. Text transmitted in immediately following clear telegram.

Aria called on me later with message from Shah that he felt Stokes had been too abrupt in ending negotiations and hoped I could induce him to stay. I took him up to see Stokes who explained that he had worked for almost three weeks without real progress.
real progress and expressed his conviction that no workable settlement could be reached with Mosadeq. He rudely stated “you must get rid of him.” I did not like tenor of talk but had to admit that unless Mosadeq showed a greater willingness to face realities, I saw no value in extended discussions at this time. I pointed out that the document handed us last night was much the same on the question of staff as position Mosadeq had taken when I arrived weeks ago. Stikes, obviously tired, made comments of insulting nature about Iranian integrity and Alá was forced to say “without mutual trust how can we ever come to an agreement.” This talk will undoubtedly be reported to Shah and will add to the difficulties of future negotiations.