

**FOREIGN  
RELATIONS  
OF THE  
UNITED  
STATES**

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**1969–1976  
VOLUME XXVII**

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**IRAN; IRAQ,  
1973–1976**



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**DEPARTMENT  
OF  
STATE**

**Washington**



# Foreign Relations of the United States, 1969–1976

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Volume XXVII

## Iran; Iraq, 1973–1976

*Editor* Monica L. Belmonte  
*General Editor* Edward C. Keefer

DEPARTMENT OF STATE  
OFFICE OF THE HISTORIAN  
BUREAU OF PUBLIC AFFAIRS

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# Preface

The *Foreign Relations of the United States* series presents the official documentary historical record of major foreign policy decisions and significant diplomatic activity of the United States Government. The Historian of the Department of State is charged with the responsibility for the preparation of the *Foreign Relations* series. The staff of the Office of the Historian, Bureau of Public Affairs, under the direction of the General Editor of the *Foreign Relations* series, plans, researches, compiles, and edits the volumes of the series. Secretary of State Frank B. Kellogg first promulgated official regulations codifying specific standards for the selection and editing of documents for the series on March 26, 1925. These regulations, with minor modifications, guided the series through 1991.

Public Law 102–138, the Foreign Relations Authorization Act, established a new statutory charter for the preparation of the series which was signed by President George H.W. Bush on October 28, 1991. Section 198 of P.L. 102–138 added a new Title IV to the Department of State's Basic Authorities Act of 1956 (22 U.S.C. 4351, et seq.)

The statute requires that the *Foreign Relations* series be a thorough, accurate, and reliable record of major United States foreign policy decisions and significant United States diplomatic activity. The volumes of the series should include all records needed to provide comprehensive documentation of major foreign policy decisions and actions of the United States Government. The statute also confirms the editing principles established by Secretary Kellogg: the *Foreign Relations* series is guided by the principles of historical objectivity and accuracy; records should not be altered or deletions made without indicating in the published text that a deletion has been made; the published record should omit no facts that were of major importance in reaching a decision; and nothing should be omitted for the purposes of concealing a defect in policy. The statute also requires that the *Foreign Relations* series be published not more than 30 years after the events recorded.

## *Structure and Scope of the Foreign Relations Series*

This volume is part of a subseries of the *Foreign Relations* series that documents the most important issues in the foreign policy of the administrations of Richard M. Nixon and Gerald R. Ford. This specific volume documents U.S. policy towards Iran and Iraq from 1973 to 1976.

Although part of a larger integrated series, this volume is meant to stand on its own. Readers who want a more complete context for U.S. relations with the Middle East during this time period should consult other volumes in the 1969–1976 subseries. U.S. relations with the countries of the Arabian Peninsula and Gulf region, as well as the Nixon and Ford administrations' general policies toward the Middle East as a whole are covered in volume E-9, Documents on Middle East Region; Arabian Peninsula; North Africa; 1973–1976. U.S. policy towards the Arab-Israeli dispute is covered in two volumes. Volume XXV documents the October 1973 War, its immediate origins, outbreak, and ceasefire. Volume XXVI, Arab-Israeli Dispute, 1974–1976, details U.S. efforts to broker a more permanent peace settlement between the Arab states and Israel. Oil and energy issues are addressed in volume XXXVI, Energy Crisis, 1969–1974 and volume XXXVII, Energy Crisis, 1974–1980.

*Focus of Research and Principles of Selection for Foreign Relations,  
1969–1976, Volume XXVII*

The editor of this volume sought to present documentation that explains and illuminates the major policy decisions made by Presidents Nixon and Ford regarding U.S. relations with Iran and Iraq between 1973 and 1976. The volume is divided into two chronological sections. The first section documents the increasingly close political, economic, and strategic relationship, which developed between the U.S. and Iran during the mid-1970s; the second section covers Washington's somewhat more distant interactions with Iraq, with whom the United States did not maintain formal diplomatic relations following the 1967 Arab-Israeli war.

U.S.-Iranian relations under the Richard M. Nixon and Gerald R. Ford administrations were the closest between the two countries since 1953. The first Nixon administration's decision to sell to the Shah of Iran, Mohammed Reza Pahlavi, whatever non-nuclear weapons he desired removed one of the long-standing points of U.S.-Iranian discord. Thereafter, U.S. officials recognized Iran's notion of itself as protector of the Persian Gulf, even if they lacked full confidence in it. This section of the volume also focuses on the issue of oil prices, which the Shah insisted on raising in 1973 despite a long-term 1972 agreement with the consortium of western oil companies in Iran. First, in January 1973, the Shah successfully sought equally favorable terms to the majority participation rights secured by the Arab states. Later, following the October 1973 Arab-Israeli war, the Shah took no part in the oil embargo and continued to secretly supply Israel with fuel. Yet during the December 1973 OPEC meeting in Tehran, the Shah led the charge for dramatically increased oil prices.

Additionally, this section of the volume documents the Ford administration's attempts to deflect Congressional efforts to use U.S. arms sales as a lever to force Iran to cut oil prices or to improve Iran's human rights performance. Following Ford's agreement to sign new legislation that no security assistance be provided to any country whose government persistently violated human rights, the Embassy met with representatives of the Iranian Ministry of Foreign Affairs to guide officials in presenting their human rights situation in a more positive light internationally.

In sharp contrast to Iran, Washington had had no official relations with Baghdad since the Iraqis broke relations over the Arab-Israel war of 1967. Accordingly, U.S. involvement in Iraq was largely confined to the administration's aid to the Iraqi Kurds in their opposition to the government in Baghdad. This section of the volume shows that by 1972, however, U.S.-Iraqi relations had in some sense improved with the establishment of the U.S. Interest Section in Baghdad. Meanwhile, the Iraqi government itself had quietly expanded its interest section in the United States, to which it appointed a distinguished chief in early 1973. Moreover, the 1973 settlement of the oil dispute between Iraq and the Iraq Petroleum Company indicated some Iraqi interest in normalizing relations with the West and distancing itself from Moscow.

#### *Editorial Methodology*

The documents are presented chronologically according to Washington time. Memoranda of conversation are placed according to the time and date of the conversation, rather than the date the memorandum was drafted.

Editorial treatment of the documents published in the Foreign Relations series follows Office style guidelines, supplemented by guidance from the General Editor and the chief technical editor. The original document is reproduced as exactly as possible, including marginalia or other notations, which are described in the footnotes. Texts are transcribed and printed according to accepted conventions for the publication of historical documents in the limitations of modern typography. A heading has been supplied by the editors for each document included in the volume. Spelling, capitalization, and punctuation are retained as found in the original text, except that obvious typographical errors are silently corrected. Other mistakes and omissions in the documents are corrected by bracketed insertions: a correction is set in italic type; and addition in roman type. Words or phrases underlined in the source text are printed in italics. Abbreviations and contractions are preserved as found in the original text, and a list of abbreviations is included in the front matter of each volume.

Bracketed insertions are also used to indicate omitted text that deals with an unrelated subject (in roman type) or that remains classi-

fied after declassification review (in italic type). The amount and, where possible, the nature of the material not declassified has been noted by indicating the number of lines or pages of text that were omitted. Entire documents withheld for declassification purposes have been accounted for and are listed by headings, source notes, and number of pages not declassified in their chronological place. All brackets that appear in the original document are so identified by footnotes. All ellipses are in the original documents.

The first footnote to each document indicates the source of the document, original classification, distribution, and drafting information. The note also provides the background of important documents and policies and indicates whether the Presidents or their major policy advisers read the document.

Editorial notes and additional annotation summarize pertinent material not printed in the volume, indicate the location of additional documentary sources, provide references to important related documents printed in other volumes, describe key events, and provide summaries of and citations to public statements that supplement and elucidate the printed documents. Information derived from memoirs and other first-hand accounts has been used when appropriate to supplement or explicate the official record.

The numbers in the index refer to document numbers rather than to page numbers.

#### *Advisory Committee on Historical Diplomatic Documentation*

The Advisory Committee on Historical Diplomatic Documentation, established under the *Foreign Relations* statute, reviews records, advises, and makes recommendations concerning the *Foreign Relations* series. The Advisory Committee monitors the overall compilation and editorial process of the series and advises on all aspects of the preparation and declassification of the series. The Advisory Committee does not necessarily review the contents of individual volumes in the series, but it makes recommendations on issues that come to its attention and reviews volumes, as it deems necessary to fulfill its advisory and statutory obligations.

#### *Presidential Records and Materials Preservation Act Review*

Under the terms of the Presidential Recordings and Materials Preservation Act (PRMPA) of 1974 (44 U.S.C. 2111 note), the National Archives and Records Administration (NARA) has custody of the Nixon Presidential historical materials. The requirements of the PRMPA and implementing regulations govern access to the Nixon Presidential historical materials. The PRMPA and implementing public access regulations require NARA to review for additional restrictions in order to ensure the protection of the privacy rights of former Nixon White House

officials, since those officials were not given the opportunity to separate their personal materials from public papers. Thus, the PRMPA and implementing public access regulations require NARA formally to notify the Nixon Estate and former Nixon White House staff members that the agency is scheduling for public release Nixon White House historical materials. The Nixon Estate and former White House staff members have 30 days to contest the release of Nixon historical materials in which they were a participant or are mentioned. Further, the PRMPA and implementing regulations require NARA to segregate and return to the creator of files private and personal materials. All Foreign Relations volumes that include materials from NARA's Nixon Presidential Materials Project are processed and released in accordance with the PRMPA.

#### *Nixon White House Tapes*

Access to the Nixon White House tape recordings is governed by the terms of the PRMPA and an access agreement with the Office of Presidential Libraries of the National Archives and Records Administration and the Nixon Estate. In February 1971, President Nixon initiated a voice activated taping system in the Oval Office of the White House and, subsequently, in the President's Office in the Executive Office Building, Camp David, the Cabinet Room, and White House and Camp David telephones. The audiotapes include conversations of President Nixon with his Assistant for National Security Affairs, Henry Kissinger, other White House aides, Secretary of State Rogers, other Cabinet officers, members of Congress, and key foreign officials. The clarity of the voices on the tape recordings is often very poor, but the editor has made every effort to verify the accuracy of the transcripts produced here. Readers are advised that the tape recording is the official document; the transcript represents an interpretation of that document. Through the use of digital audio and other advances in technology, the Office of the Historian has been able to enhance the tape recordings and over time produce more accurate transcripts. The result is that some transcripts printed here may differ from transcripts of the same conversations printed in previous *Foreign Relations* volumes. The most accurate transcripts possible, however, cannot substitute for listening to the recordings. Readers are urged to consult the recordings themselves for full appreciation of those aspects of the conversations that cannot be captured in a transcript, such as the speakers' inflections and emphases that may convey nuances of meaning, as well as the larger context of the discussion.

#### *Declassification Review*

The Office of Information Programs and Services, Bureau of Administration, conducted the declassification review for the Department



of State of the documents published in this volume. The review was conducted in accordance with the standards set forth in Executive Order 12958, as amended, on Classified National Security Information and applicable laws.

The principle guiding declassification review is to release all information, subject only to current requirements of national security as embodied in law and regulation. Declassification decisions entailed concurrence of the appropriate geographic and functional bureaus in the Department of State, other concerned agencies of the U.S. Government, and the appropriate foreign governments regarding specific documents of those governments. The declassification review of this volume, which began in 2007 and was completed in 2011, resulted in the decision to withhold 1 document in full, excise a paragraph or more in 8 documents, and make minor excisions of less than a paragraph in 50 documents.

The Office of the Historian is confident, on the basis of the research conducted in preparing this volume and as a result of the declassification review process described above, that the documentation and editorial notes presented here provide an accurate and comprehensive—given limitations of space—account of the Nixon and Ford administrations' policies toward Iran and Iraq from 1973 to 1976.

### *Acknowledgements*

The editors wish to acknowledge the assistance of officials at the Nixon Presidential Materials Project of the National Archives and Records Administration (Archives II), at College Park, Maryland; the Richard Nixon Estate, for allowing access to the Nixon presidential recordings, and the Richard Nixon Library and Birthplace for facilitating that access. The editors also wish to acknowledge the assistance of officials and staff at the Gerald R. Ford Presidential Library at Ann Arbor, Michigan, especially Geir Gundersen, Donna Lehman, and Helmi Raaska. Thanks are due to the Historical Staff of the Central Intelligence Agency, who were helpful in arranging full access to the files of that agency. John Earl Haynes of the Library of Congress was responsible for expediting access to the Kissinger Papers, including the transcripts of Henry Kissinger's telephone conversations. Copies of the Kissinger telephone conversations are now available at the Nixon Presidential Materials Project. The editors were able to use the Kissinger Papers, including the transcripts of the telephone conversations, with the kind permission of Henry Kissinger. The editors would like also to thank Sandra Meagher at the Department of Defense.

Monica L. Belmonte collected the documentation for this volume, made the initial selections, and annotated the documents she chose. The volume was completed under the supervision of Edward C.

Keefer, General Editor of the *Foreign Relations* series. Dean Weatherhead coordinated the declassification review under the supervision of Susan C. Weetman, Chief of the Declassification and Publishing Division. Rita Baker and Renée Goings did the copy and technical editing. Do Mi Stauber and Associates prepared the index.

Bureau of Public Affairs  
December 2012

**Dr. Stephen P. Randolph**  
*The Historian*



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# Sources

## *Sources for the Foreign Relations Series*

The *Foreign Relations* statute requires that the published record in the *Foreign Relations* series include all records needed to provide comprehensive documentation of major U.S. foreign policy decisions and significant U.S. diplomatic activity. It further requires that government agencies, departments, and other entities of the U.S. Government engaged in foreign policy formulation, execution, or support cooperate with the Department of State historians by providing full and complete access to records pertinent to foreign policy decisions and actions and by providing copies of selected records. Most of the sources consulted in the preparation of this volume have been declassified and are available for review in the National Archives and Records Administration.

The editors of the *Foreign Relations* series have complete access to all the retired records and papers of the Department of State: the central files of the Department; the special decentralized files ("lot files") of the Department at the bureau, office, and division levels; the files of the Department's Executive Secretariat, which contain the records of international conferences and high-level official visits, correspondence with foreign leaders by the President and the Secretary of State, and memoranda of conversation between the President and Secretary of State and foreign officials; and the files of overseas diplomatic posts. The Department's indexed central files through July 1973 have been permanently transferred to the National Archives and Records Administration at College Park, Maryland (Archives II). Most of the Department's decentralized office (or "lot") files covering the 1969–1976 period, which the National Archives deems worthy of permanent retention, have been transferred or are in the process of being transferred from the Department's custody to Archives II.

The editors of the *Foreign Relations* series also have full access to the papers of Presidents Nixon and Ford, and other White House foreign policy records. Presidential papers maintained at the Presidential libraries and the Nixon Presidential Materials Project include some of the most significant foreign affairs-related documentation from the Department of State and other federal agencies including the National Security Council, the Central Intelligence Agency, the Department of Defense, and the Joint Chiefs of Staff. Dr. Henry Kissinger approved access to his papers at the Library of Congress. These papers are an important source for the Nixon-Ford sub-series of *Foreign Relations*.

Research for this volume involved special access to restricted documents at the Nixon Presidential Materials Project, the Ford Library, the Library of Congress, and other agencies. While all the material printed in this volume has been declassified, some of it has been extracted from still classified documents. The staffs of the Nixon Presidential Materials Project, and the Ford Library are still processing and declassifying many of the documents examined for this volume, and they may not be available in their entirety at the time of publication.

*Sources for Foreign Relations, 1969–1976, Volume XXVII*

From 1973 until 1976, policymaking towards Iran was shaped most directly by Henry Kissinger, wearing his dual hats as National Security Advisor, to November 1975, and Secretary of State, from September 1973. The resignation of President Richard M. Nixon and succession of Gerald R. Ford in August 1974 only deepened Kissinger's influence. As a result, the three best sources for the roles of Kissinger and the two presidents he served in shaping U.S.-Iranian relations begins with the Department of State Central Files (Record Group 59) at the National Archives and Records Administration (NARA), the NSC Iran Country files in the Nixon Presidential Materials Project, and the National Security Adviser, Middle East and South Asia Presidential Country Files at the Ford Presidential Library. In the absence of formal relations, records on Iraq are more sparse; U.S. involvement in Iraq was largely confined to the administration's aid to the Iraqi Kurds in their opposition to the government in Baghdad. The Kurdish support is covered in the NSC records of the Nixon Project and the Ford Library, including Backchannel cables between Helms and Kissinger, but is best documented in the closed CIA files.

In June 1973 the format of Department of State central files was changed from the paper Subject Numeric files to the electronic State Archiving System (SAS). Historical documents from this system have been transferred to the National Archives and are part of the on-line Access to Archival Database (AAD). With respect to the Central Files, then, this guide can point to useful collections in the Subject Numeric files only for the first six months of the second Nixon administration; the AAD must be keyword-searched for individual documents, which are not organized into collections. For all the topics below, a separate search needs to be performed on the AAD to ensure comprehensive research.

For general U.S.-Iranian relations, the POL IRAN and DEF IRAN collections housed in the RG 59 Central Files at the National Archives are a good place to start. The POL IRAN files include documents on high-level meetings between the Shah and U.S. officials. POL 7 IRAN contains memoranda of conversation from the Shah's July 1973 visit to the United States. The POL 13–2 IRAN, POL 13–10 IRAN, and POL 29

IRAN files document mounting unrest among Iranian students. There are useful documents on the Shah's Iranian U.S.-based opposition in POL 30-2 IRAN, while the POL 23-8 IRAN files contain many documents on terrorism. Terrorism is also a concern of the DEF 9 US collection, and the extensive U.S.-Iranian arms sales negotiations are in the DEF 12-5 IRAN and DEF 19-9 US-IRAN files. The drawn-out disputes over oil prices can be found in PET 6 IRAN. The views on U.S.-Iranian relations of local officials on the ground, including the growing crisis of the Iranian economy and the expanding presence of U.S. business, military, and technical advisors on Iranian soil, are documented in Department of State diplomatic post files, located in Record Group 84 at NARA, and in the Department's Lot Files. The records of the Bureau of Near Eastern and South Asian Affairs' Office of Iran Affairs (Lot 76D169) have some useful documents on the subject of student protest. The records of Secretary of State Henry Kissinger (Lot 91D414) and (E5403) have a few documents on oil price disputes and on Kissinger's November 1974 and August 1976 visits to Tehran.

In the absence of formal ties, the documentary record on U.S.-Iraqi relations is much thinner. However, the U.S. Interests Section in Baghdad, established in 1972, produced a number of interesting reports. These and other materials on general U.S.-Iraqi relations are in POL IRAQ-US and POL 17 IRAQ-US. Internal Iraqi developments are documented in POL 2 IRAQ and POL 12 IRAQ. Meetings and communications with Kurdish leaders are in POL 7 IRAQ and POL 13-3 IRAQ. Documents on U.S. views of Iran-Iraq relations can be found in POL IRAN-IRAQ. PET 15-2 IRAQ provides helpful material on the IPC-Iraqi agreement, and POL IRAQ-USSR is the collection for Iraqi-Soviet relations. Material on the plight of the Iraqi Jews is located in SOC 14 IRAQ. POL 32-1 IRAQ-KUW covers problems in Iraqi-Kuwaiti relations. Military sales to Iraq are in DEF 12-5 IRAQ. Finally, there are few but excellent communications from the Head of the Interests Section to the Department in Lot Files 76D452, 76D453, and 78D61. Kissinger's contact with the Foreign Minister of Iraq is in the Kissinger Lot File (E5403), as is Kurdish aid.

In the National Security Council files at the Nixon Presidential Materials Project, the Iran Country Files are the obvious place to begin research on Iran. The Iran Country Files hold documents on general U.S. relations and specifically on arms sales; U.S.-Iranian co-production; U.S.-Iranian communications on Arab-Israeli relations; U.S.-Iranian cooperation after the oil embargo; and oil disputes. The Backchannel Files are critical, since the Ambassador to Iran, Richard Helms, used the channel regularly to report to Henry Kissinger. Other files are more targeted in their holdings: memoranda of conversation from the Shah's 1973 visit are in the Nixon VIP Visits collection, and further documents



on oil disputes are in the Iran Oil and Presidential/HAK Memcons files. More materials on arms sales are in the Iran Military Files sub-section of the Harold Saunders Files. General U.S.-Iraqi relations are documented in the Nixon Project's Iraq Country Files. The Back-channel files are a major source for Kurdish aid support and meetings and communications with Kurdish leaders. U.S. views on Iran-Iraq relations can be found in the Iran and Iraq Country Files.

At the Ford Library, the organization of some of the holdings mirrors that of the Nixon Presidential Materials Project, so the priority ranking of the National Security Adviser files is similar. The Middle East and South Asia Presidential Iran Country Files contain memoranda on general U.S.-Iranian relations; oil, including a bilateral oil deal; arms sales; co-production; nuclear cooperation; U.S.-Iranian joint production; Arab-Israeli issues; Kissinger's reports on his November 1974 visit to Tehran; and terrorism. The Backchannel Files, featuring Kissinger-Helms communications on a host of topics, remain crucial. The Memoranda of Conversation files provide material on Kissinger-Ford discussions on Iran; the Shah's May 1975 trip to Washington; Defense's reservations over arms sales; the appointment of a Defense Representative to Iran; the review of defense and security policies in the Persian Gulf; and oil, again including the bilateral oil deal.

In the Kissinger-Scowcroft West Wing Office Files sub-section of the National Security Advisor files at the Ford Library, there are discussions between Kissinger and Ford over Iran-related issues and attempts to hammer out an oil-for-arms deal. Documents on U.S.-Iranian co-production, nuclear cooperation, and Defense issues, along with a few select documents on U.S.-Iranian co-production, are in the NSC Institutional ("H") Files. Fewer documents on the same topics are in the NSC Institutional Files, and a few on oil, terrorism and arms sales are located in the NSC Operations Staff for Middle East and South Asian Affairs Country Files. A small number of good documents on nuclear cooperation can be found in the National Security Study Memoranda and National Security Decision Memoranda files. The Presidential Correspondence with Foreign Leaders collection contains letters from Ford to the Shah. Kissinger's August 1976 trip to Iran is documented in the HAK Trips files.

For Iraq, the Ford Library's National Security Adviser Files have several useful collections. General U.S.-Iraqi relations are in the Presidential Middle East and South Asia Country Files. More documents on this topic are in the NSC Operations Staff for Middle East and South Asian Affairs Country Files. The Kurdish operation is documented in several places, including the Memoranda of Conversation files, the Middle East and South Asia Country Files, the Mideast/Africa Back-channel Messages files, and the Kissinger-Scowcroft West Wing Office

Files, which include communications from Barzani. The Iran-Iraq settlement is also in the Mideast/Africa Backchannel files.

Valuable collections which are currently closed to the public but soon to be released for this period are the files of the Office of the Secretary of Defense (OSD), Office of the Assistant Secretary of Defense (OASD), and Office of the Under Secretary of Defense (OUSD) currently in the Washington National Records Center. These files contain more detailed materials on, for example, the Department of Defense's concerns about arms sales to Iran and the U.S. presence there, the Shah's May 1975 trip to Washington, terrorism, nuclear cooperation, and the bilateral oil deal. Material on the Iran-Iraq settlement is also in these files.

At the Manuscript Division of the Library of Congress, the Kissinger Papers, though closed to the public, hold a few excellent materials on oil, especially the oil-for-arms deal, arms sales, Kissinger's November 1974 visit to Tehran, and U.S.-Iranian cooperation in Iran. The papers of James Schlesinger, also at the Library of Congress, contain documents on Defense concerns at U.S. policies towards Iran.

The following list identifies the particular files and collections used in the preparation of this volume. In addition to the paper files cited below, a growing number of documents are available on the Internet. The Office of the Historian maintains a list of these Internet resources on its website and encourages readers to consult that site on a regular basis.

## Unpublished Sources

### Department of State

**Central Files.** See Record Group 59 under National Archives and Records Administration below.

**Lot Files.** See National Archives and Records Administration below.

### Electronic Reading Room

Transcripts of Kissinger Telephone Conversations, FOIA website

### National Archives and Records Administration, College Park, Maryland

#### Record Group 59, Files of the Department of State

##### *Central Files, 1973*

DEF 12-5 IRAN: procurement and sale of armaments, Iran

DEF 12-5 IRAQ: procurement and sale of armaments, Iraq

DEF 12 PAK: armaments, Pakistan

DEF 12-5 PAK: procurement and sale of armaments, Pakistan

DEF 9 US: exercises and maneuvers, U.S.

DEF 19-9 US-IRAN: advisory and training assistance, U.S.-Iran

E 8-1 IRAN: prices and cost of living, Iran

ORG 3-2 IRAN: organization and administration, chiefs of mission and principle officers  
ORG 7 D: organization and administration, Deputy Secretary of State's Visit  
ORG 7 S: organization and administration, Secretary of State's Visit  
PET 6 IRAN: petroleum companies, Iran  
PET 12 IRAN: petroleum production and consumption, Iran  
PET 10-2 IRAQ: petroleum exploration and development, Iraq  
PET 15-2 IRAQ: nationalization and expropriation, Iraq  
POL 1 IRAN: general policy, Iran  
POL 7 IRAN: visits and meetings, Iran  
POL 13-2 IRAN: students and youth groups, Iran  
POL 13-10 IRAN: extremist organizations, Iran  
POL 15-1 IRAN: Head of State, Iran  
POL 23-8 IRAN: demonstrations, riots, and protests, Iran  
POL 23-9 IRAN: rebellions and coups, Iran  
POL 29 IRAN: arrests and detentions, Iran  
POL 30-2 IRAN: exile political activities, Iran  
POL IRAN-IRAQ: political affairs and relations, Iran-Iraq  
POL 2 IRAQ: general reports and statistics, Iraq  
POL 7 IRAQ: visits and meetings, Iraq  
POL 12 IRAQ: political parties, Iraq  
POL 13-3 IRAQ: ethnic and national minorities, Iraq  
POL 32-1 IRAQ-KUW: territory and boundary disputes, violations, and incidents, Iraq-Kuwait  
POL 17 IRAQ-PAK: diplomatic and consular representation, Iraq-Pakistan  
POL IRAQ-US: political affairs and relations, Iraq-U.S.  
POL 17 IRAQ-US: diplomatic and consular representation, Iraq-U.S.  
POL IRAQ-USSR: political affairs and relations, Iraq-U.S.S.R.  
POL 33 PERSIAN GULF: waters and boundaries, Persian Gulf  
POL 13-3 US: ethnic and national minorities, U.S.

*Central Foreign Policy Files, 1973-1976*

Department of State telegrams transferred electronically to the National Archives

*Lot Files*

Records of the Bureau of Near Eastern and South Asian Affairs, Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs

Lot 76D452

Lot 76D453

Lot 78D61

Lot 79D86

Records of the Bureau of Near Eastern and South Asian Affairs; Office of Iran Affairs

Lot 75D351

Lot 75D365

Lot 75D410

Lot 76D169

Lot 76D289

Lot 76D470

Lot 76D486

Lot 76D488

Lot 77D400

Lot 81D137

Records of Secretary of State Henry A. Kissinger, 1974–1977

Lot 78D433, Entry E 5177

Lot 91D414, Entry E 5403

**Record Group 84, Department of State Records, Foreign Service Post Files**

Tehran Embassy Files

Iran 1973

Iran 1975

**Nixon Presidential Materials Project, National Archives and Records Administration, College Park, Maryland (now at the Nixon Presidential Library and Museum, Yorba Linda, California)**

National Security Council Files

Backchannel

Backchannel Messages

Middle East/Africa

Country Files, Middle East

Iran

Iran Oil

Iraq

Henry A. Kissinger Office Files

Country Files

Middle East

Harold Saunders Files

Harold Saunders Chronological Files

Subject Files

Iran

Iran Military

NSC Secretariat

NSC Unfiled Material

President's Daily Briefings

Presidential Correspondence

Iran - Mr. Pahlavi.

Presidential/HAK Memcons

VIP Visits

Shah of Iran

White House Tape Recordings

National Security Council, Institutional Files (H-Files)

NSSM 181

White House Special Files

President's Office Files

Presidential Handwriting

**Gerald R. Ford Presidential Library, Ann Arbor, MI**

National Security Adviser

Backchannel Messages

Mideast/Africa

Kissinger-Scowcroft West Wing Office Files

Iran

Kurds

Memoranda of Conversation

NSC Operations Staff for Middle East and South Asian Affairs

Country File

Iran

Iran Military

Iraq

Subject Files

Middle East - Oil

NSC Staff for Middle East and South Asian Affairs

Convenience Files

National Security Study Memoranda and Decision Memoranda

NSSM 219 - U.S. Iranian Agreement on Cooperation in Civil Uses of Energy,  
March 14, 1975

NSSM 238 - U.S. Policy Towards the Persian Gulf, February 13, 1976

NSSM 243 - Military Assistance Advisory Group Requirement Study, May 10,  
1976

NSDM 292 - U.S.-Iran Nuclear Cooperation, April 22, 1975

Presidential Correspondence with Foreign Leaders

Iran, the Shah

Presidential Country Files

Iran

Iraq

Middle East and South Asia

State Department Telegrams

Trip Briefing Books and Cables for HAK, 1974-76

Kissinger Trip File

VIP Visits

Iran 12

National Security Council Institutional Files

White House Central Files

Subject Files, Box 24, CO 68 Iran, 11/1/74-2/28/75

**Library of Congress, Washington, DC**

Papers of Henry A. Kissinger

Geopolitical File

Chronological Files

Memoranda of Conversation

Trips

NSC Senior Review Group File

Papers of James R. Schlesinger

James R. Schlesinger - Action Memos

### **Central Intelligence Agency**

Directorate of Intelligence, Office of Current Intelligence Files

Job 79T00889A

Job 79T00861A

Job 83T003353R

Job 85T00353R

Files of the Director of Central Intelligence

Executive Registry, Job 80M01048A

Executive Registry, Job 80M01066A

National Intelligence Council Files

Job 79R01012A

Job 79R01142A

### **National Security Council, Washington, DC**

Nixon Intelligence Files

Subject Files

Iraq/Kurds

303 Committee /40 Committee

NSCIC 1969–1974

Iraqi Kurds

Ford Intelligence Files

Subject Files

Iraq/Kurds

### **Washington National Records Center, Suitland, Maryland**

*FRC 330, Records of the Office of the Secretary of Defense*

78–001

1973 Secret Official Records of the Secretary of Defense, Deputy Secretary of Defense, and Special Assistant to the Secretary and Deputy Secretary of Defense

78–0002

1973 Top Secret Official Records of the Secretary of Defense, Deputy Secretary of Defense, and Special Assistant to the Secretary and Deputy Secretary of Defense

78–0011

1974 Secret Official Records of the Secretary of Defense, Deputy Secretary of Defense, and Special Assistant to the Secretary and Deputy Secretary of Defense

78–0058

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# Abbreviations and Terms

**AADC**, Area Air Defense Commander  
**AAPSO**, Afro-Asian Peoples' Solidarity Organization  
**ABM**, anti-ballistic missile  
**A/C**, aircraft  
**ACDA**, Arms Control and Disarmament Agency  
**ADCM**, Acting Deputy Chief of Mission  
**AEC**, Atomic Energy Commission  
**AFL-CIO**, American Federation of Labor-Congress of Industrial Organizations  
**AFRT**, Armed Forces Radio and Television  
**AID**, Agency for International Development  
**Amb**, Ambassador  
**AMST**, Advanced Medium STOL Aircraft  
**API**, American Petroleum Institute  
**ARAMCO**, Arabian-American Oil Company  
**ARMISH/MAAG**, U.S. Army Mission in Iran/Military Assistance Advisory Group  
**ARN**, see NEA/ARN  
**ASD/ISA**, Assistant Secretary of Defense for International Security Affairs  
**ASPR**, Armed Services Procurement Regulation  
**ASW**, anti-submarine warfare  
**AWACS**, Airborne Warning and Control System

**b/d**, barrels per day  
**BP**, British Petroleum  
**B/P**, balance of payments  
**BPC**, Basra Petroleum Company  
**BPD**, barrels per day  
**BPI**, Ba'ath Party of Iraq  
**BSO**, Black September Organization

**CAB**, Civil Aeronautics Board  
**CCC**, Commodity Credit Corporation  
**CEA**, Council of Economic Advisers  
**CENTO**, Central Treaty Organization  
**CFP**, Compagnie Française des Pétroles  
**CIA**, Central Intelligence Agency  
**CIEP**, Council on International Economic Policy  
**CINCEUR**, Commander in Chief, European Command  
**CINCPAC**, Commander in Chief, Pacific Command  
**CINCUSNAVEUR**, Commander in Chief, U.S. Naval Forces, Europe  
**CIS**, Confederation of Iranian Students  
**CJCS**, Chairman, Joint Chiefs of Staff  
**CNO**, Chief of Naval Operations  
**COB**, close of business  
**ConGen**, Consul General  
**COMECON**, Council for Mutual Economic Assistance  
**COMIDEASTFOR**, Commander, Middle East Forces  
**COMINT**, communications intelligence



**Cons**, Consulate

**COS**, Chief of Station

**CPI**, Communist Party in Iraq

**D**, Office of the Deputy Secretary of State

**DCI**, Director of Central Intelligence

**DCM**, Deputy Chief of Mission

**DDCI**, Deputy Director of Central Intelligence

**DDO**, Deputy Director for Operations, Central Intelligence Agency

**DefRepIran**, Defense Representative, Iran

**Dept**, Department of State

**Deptel**, Department of State telegram

**Depto**, series indicator for telegrams from the Deputy Secretary of State

**DIA**, Defense Intelligence Agency

**DirGen**, Director General

**dissem**, dissemination

**DOD**, Department of Defense

**DOD/ISA**, Office of the Assistant Secretary of Defense for International Security Affairs

**DOD/ISA/NESA**, Office of Near Eastern and South Asian Affairs, International Security Affairs, Department of Defense

**DOS**, Department of State

**DSAA**, Defense Security Assistance Agency

**E**, Office of the Under Secretary of State for Economic Affairs

**EB**, Bureau of Economic and Business Affairs, Department of State

**EB/ORF/FSE**, Division of Fuels and Energy, Office of International Resources and Food Policy, Bureau of Economic and Business Affairs, Department of State

**ECM**, electronic countermeasure

**ELINT**, electronic intelligence

**Emb**, Embassy

**EmbOff**, Embassy officer

**Embtel**, Embassy telegram

**ERDA**, Energy Research and Development Agency

**Exdis**, exclusive distribution (acronym indicating extremely limited distribution or dissemination)

**EXIM**, Export-Import Bank

**FAA**, Foreign Assistance Act

**FAO**, Food and Agriculture Organization (UN)

**FBI**, Federal Bureau of Investigation

**FBIS**, Foreign Broadcast Information Service

**FEA**, Federal Energy Administration

**FMS**, foreign military sales

**FNLA**, National Liberation Front of Angola

**FNU**, first name unknown

**FonMin**, Foreign Minister; Foreign Ministry

**FonOff**, Foreign Office

**ForMin**, Foreign Minister; Foreign Ministry

**FRG**, Federal Republic of Germany

**FY**, fiscal year

**GAO**, General Accounting Office

**GDP**, gross domestic product

**GNP**, gross national product

**GOB**, Government of Bahrain  
**GOI**, Government of Iran  
**GOI**, Government of Iraq  
**GSP**, Generalized System of Preferences

**HAK**, Henry A. Kissinger  
**Hakto**, series indicator for telegrams from Henry Kissinger  
**Hawk**, surface-to-air guided missile  
**HFAC**, House Foreign Affairs Committee  
**HIM**, His Imperial Majesty  
**HK**, Henry Kissinger

**IAS**, Iran-America Society  
**Ibex**, U.S.-Iranian project to build observation and listening posts in Iran  
**IBRD**, International Bank for Reconstruction and Development (World Bank)  
**ICCS**, International Commission for Control and Supervision (Vietnam)  
**ICHR**, Iranian Committee on Human Rights  
**ICP**, Iraqi Communist Party  
**ID**, Iraqi dinar  
**IG**, Inspector General  
**IIA**, Imperial Iranian Army  
**IIAF**, Imperial Iranian Air Force  
**IIF**, Imperial Iranian Forces  
**IIGF**, Imperial Iranian Ground Forces  
**IIN**, Imperial Iranian Navy  
**ILO**, International Labor Organization  
**IMF**, International Monetary Fund  
**inf**, infantry  
**INOC**, Iraq National Oil Company  
**INR**, Bureau of Intelligence and Research, Department of State  
**INR/RNA**, Office of Research and Analysis for Near East and South Asia, Bureau of Intelligence and Research, Department of State  
**IO**, Bureau of International Organization Affairs, Department of State  
**IPC**, Iraq Petroleum Company  
**IRN**, see NEA/IRN  
**IRS**, Internal Revenue Service  
**ISA**, Iranian Students Association  
**ISA**, Office of the Assistant Secretary of Defense for International Security Affairs  
**ITAR**, International Traffic in Arms Regulation

**J-2**, Directorate for Intelligence, Joint Staff  
**JCS**, Joint Chiefs of Staff

**KDP**, Kurdish Democratic Party

**LDC**, less developed country  
**Limdis**, limited distribution  
**L/NEA**, Office of the Assistant Legal Adviser for Near East Affairs  
**LNG**, liquefied natural gas  
**L/O**, Letter of Offer  
**LOA**, Letter of Agreement; Letter of Acceptance  
**LTG**, Lieutenant General

**MAAG**, Military Assistance Advisory Group  
**MAP**, Military Assistance Program  
**MBFR**, Mutual and Balanced Force Reductions  
**ME**, Middle East  
**memcon**, memorandum of conversation  
**MFA**, Ministry of Foreign Affairs  
**MFN**, most favored nation  
**MG**, Major General  
**MIDEASTFOR**, Middle East Force  
**MilAtt**, Military Attaché  
**MinDef**, Minister of Defense; Ministry of Defense  
**MLG**, Military Liaison Group  
**MPLA**, People's Movement for the Liberation of Angola  
**MW**, megawatts

**NASA**, National Aeronautics and Space Administration  
**NATO**, North Atlantic Treaty Organization  
**NEA**, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/ARN**, Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/ARP**, Office of Saudi Arabia, Kuwait, Yemen, and Aden Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/IRN**, Office of Iranian Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/NE**, Office of Near Eastern Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/NR**, Office of Near Eastern, South Asian Regional Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NEA/RA**, Office of Regional Affairs, Bureau of Near Eastern and South Asian Affairs, Department of State  
**NFZ**, nuclear-free-zone  
**NIC**, National Intelligence Council  
**NIE**, National Intelligence Estimate  
**NIOC**, National Iranian Oil Company  
**NIRT**, National Iranian Radio and Television  
**Nodis**, no distribution  
**Nofor**, no foreign dissemination  
**Notal**, not to all addresses  
**NPT**, Nuclear Nonproliferation Treaty  
**NRM**, National Resistance Movement (Kurdish)  
**NSA**, National Security Agency  
**NSAM**, National Security Action Memorandum  
**NSC**, National Security Council  
**NSDM**, National Security Decision Memorandum  
**NSSM**, National Security Study Memorandum

**OAPEC**, Organization of Arab Petroleum Exporting Countries  
**OASD/ISA**, Office of the Assistant Secretary of Defense for International Security Affairs  
**OBE**, overtaken by events  
**OCI**, Office of Current Intelligence, Central Intelligence Agency  
**ODDI**, Office of the Deputy Director of Intelligence, Central Intelligence Agency  
**OECD**, Organization for Economic Cooperation and Development  
**OER**, Office of Economic Research, Central Intelligence Agency

- OES**, Bureau of Oceans and International Environmental and Scientific Affairs, Department of State
- OMB**, Office of Management and Budget
- ONE**, Office of National Estimates, Central Intelligence Agency
- OPEC**, Organization of Petroleum Exporting Countries
- OSD**, Office of the Secretary of Defense
- P**, Bureau of Public Affairs, Department of State
- P&A**, price and availability
- PA&E**, Office of Program Analysis and Evaluation, Department of Defense
- PDYR**, People's Democratic Republic of Yemen (South Yemen)
- Peace Shield**, radar and air defense system
- PFLO**, Popular Front for the Liberation of Oman
- PFLOAG**, Popular Front for the Liberation of the Occupied Arab Gulf
- PM**, Bureau of Politico-Military Affairs, Department of State
- PM**, Prime Minister
- PM/MAS**, Office of Military Assistance and Sales, Bureau of Politico-Military Affairs, Department of State
- PNE**, peaceful nuclear explosion
- PNG**, persona non grata
- POLAD**, Political Adviser
- PolCouns**, Political Counselor
- PR**, public relations
- PRC**, People's Republic of China
- PriMin**, Prime Minister
- PRSY**, People's Republic of Southern Yemen
- RADM**, Rear Admiral
- RCC**, Revolutionary Command Council, Ba'athist Government in Iraq
- R&D**, research and development
- ref**, reference
- reftel**, reference telegram
- Rep**, Representative
- RG**, Record Group
- RNA**, see INR/RNA
- rpt**, repeat
- S**, Office of the Secretary of State
- SALT**, Strategic Arms Limitation Talks
- SAM**, surface to air missile
- SAMAA**, Special Assistant for Military Assistance Affairs, Joint Chiefs of Staff
- SAPRC**, Security Assistance Program Review Committee
- SAVAK**, Iranian National Bureau of Security and Intelligence (Sazman-i Ittili'at va Am-niyat-i Kishvar in Farsi)
- SC**, Security Council (UN)
- SCA**, Bureau of Security and Consular Affairs, Department of State
- Scud**, tactical ballistic missile
- SEATO**, Southeast Asia Treaty Organization
- SecDef**, Secretary of Defense
- Secto**, series indicator for telegrams from the Secretary of State
- Secy**, Secretary of State
- Seek Sentry**, Iranian air defense program of ground-based, long-range surveillance radars
- Seek Switch**, program to modernize the Iranian military and civilian telecommunications system

## XXVIII Abbreviations and Terms

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**SFRC**, Senate Foreign Relations Committee

**SNM**, special nuclear material

**Sov**, Soviet

**SRG**, Senior Review Group

**S/S**, Executive Secretariat, Department of State

**Stadis**, Department of State distribution only

**T**, Office of the Under Secretary of State for Security Assistance

**TAFT**, Technical Assistance Field Team

**Tohak**, series indicator for telegrams to Henry Kissinger

**Tosec**, series indicator for telegrams to the Secretary of State

**TOW**, tube-launched, optically-tracked, wire-guided missile

**U**, Office of the Under Secretary of State

**UAE**, United Arab Emirates

**UAR**, United Arab Republic

**UEA**, Uranium Enrichment Associates

**UK**, United Kingdom

**UN**, United Nations

**UNEF**, United Nations Emergency Force

**UNGA**, United Nations General Assembly

**UNHCR**, United Nations High Commissioner for Refugees

**UNITA**, National Union for the Total Independence of Angola

**UNSC**, United Nations Security Council

**UnSec**, Under Secretary

**UNSYG**, United Nations Secretary General

**USAF**, United States Air Force

**USC**, Under Secretaries Committee

**USCINCEUR**, Commander in Chief, United States European Command

**USG**, United States Government

**USIA**, United States Information Agency

**USIB**, United States Intelligence Board

**USINT**, United States Interests Section, Baghdad, Iraq

**USIS**, United States Information Service

**USN**, United States Navy

**USSR**, Union of Soviet Socialist Republics

**USUN**, United States Mission to the United Nations

**VIP(s)**, very important person(s)

**VP**, Vice President

**WE**, Western Europe

**WFC**, World Food Conference

**YAR**, Yemen Arab Republic

# Persons

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**Akins, James E.**, U.S. Ambassador to Saudi Arabia until February 1976  
**Alam, Assadollah**, Iranian Minister of Court  
**Amouzegar, Jamshid**, Iranian Interior Minister and Iranian Representative to OPEC  
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**al Bakr (Baqr), Ahmad Hasan**, President and Prime Minister of Iraq, Chairman of the Revolutionary Command Council, and Secretary General of the Ba'ath Party  
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**al-Barzani, Mustafa**, Iraqi leader of the Kurdish Democratic Party  
**Bhutto, Zulfikar Ali**, President of Pakistan from December 1971  
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**Brandt, Willy**, Chancellor of the Federal Republic of Germany until May 1974  
**Brett, Duvall**, Major General, USAF, Chief of ARMISH/MAAG Iran from July 1973  
**Brezhnev, Leonid**, General Secretary of the Communist Party of the Soviet Union  
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**Cline, Ray S.**, Director, Office of Intelligence and Research, Department of State, from October 1969  
**Colby, William E.**, Director of Central Intelligence from September 1973  
**Connally, John B., Jr.**, Secretary of the Treasury from February 1971 until May 1972  
**Connor, James**, Secretary to the Cabinet from January 1975; White House Staff Secretary from June 1975  
**Constandy, John**, Deputy Inspector General for Foreign Assistance, Department of Defense

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**Crocker, Ryan C.**, Vice Consul in Khorramshahr, Iran

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**Eban, Abba**, Israeli Foreign Minister

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**Eliot, Theodore L., Jr.**, Executive Secretary of the Department of State until September 1973

**Elliott, David D.**, member, National Security Council Staff

**Ellsworth, Robert F.**, Assistant Secretary of Defense for International Security Affairs until December 1975; thereafter Deputy Secretary of Defense until January 1977

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**Erofeev, Vladimir**, Soviet Ambassador to Iran

**Escudero, Stanley T.**, Consular Coordinator of the Embassy in Iran

**Fahd ibn Abdul al-Aziz al-Saud**, Crown Prince and Saudi Deputy Prime Minister from 1975

**Fahmy, Ismail**, Egyptian Foreign Minister from October 1973

**Faisal ibn Abdul al-Aziz al-Saud**, King of Saudi Arabia until his assassination on March 25, 1975

**Farland, Joseph S.**, U.S. Ambassador to Iran until March 1973

**Fish, Howard M.**, Lieutenant General, Director of the Defense Security Assistance Agency

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**Friedersdorf, Max**, Assistant to the President for Legislative Affairs from 1974 until 1977

**Fulbright, J. William**, Senator (D-Arkansas); Chairman of the Senate Foreign Relations Committee until his retirement in December 1974

**Gammon, Samuel R.**, Deputy Executive Secretary of the Department of State

**Gandhi, Indira**, Indian Prime Minister

**Gergen, David**, Special Assistant to the President from 1973 until 1974

**Ghaidan (Gahydan) al Qaysi al-Ani, Saadoun (Sadun)**, Lieutenant General, Iraqi Interior Minister

**Ghorbal, Ashraf**, Egyptian Ambassador to the United States

**Giscard d'Estaing, Valery**, President of France

**Goodpaster, Andrew J.**, General, USA, Supreme Allied Commander, Europe until December 1974

**Grechko, Marshal Andrei**, Soviet Defense Minister until April 1976

**Greenspan, Alan**, Chairman of the Council of Economic Advisers

- Griffin, George G.B.**, Office of Research and Analysis for the Near East and South Asia, Bureau of Intelligence and Research, Department of State
- Gromyko, Andrey Andreyevich**, Soviet Foreign Minister
- Habib, Philip C.**, Under Secretary of State for Political Affairs from June 1976
- al-Hadithi, Mohammed Sabri**, Iraqi Minister of Oil and Minerals until November 1974; thereafter Under Secretary in the Iraqi Foreign Ministry
- Haig, Alexander M.**, General, USA, White House Chief of Staff from May 1973 until September 1974
- Haile Salassie**, Emperor of Ethiopia
- Hammadi, Saadun**, Iraqi Petroleum Minister until November 1974; thereafter Iraqi Foreign Minister
- Hays, Wayne**, member, U.S. House of Representatives (R-Pennsylvania)
- Heck, L. Douglas**, Deputy Chief of Mission of the Embassy in Iran from July 1970 until April 1974
- Helms, Richard M.**, Director of Central Intelligence until February 1973; U.S. Ambassador to Iran from April 1973 until December 1976
- Hill, Robert C.**, Assistant Secretary of Defense for International Security Affairs
- Hormats, Robert D.**, member, National Security Council Staff
- Hoskinson, Samuel M.**, member, National Security Council Staff
- Hoveyda, Amir Abbas**, Iranian Prime Minister until August 1977
- Hussein, Saddam al-Tikriti**, Vice Chairman of the Revolutionary Command Council of Iraq and Assistant Secretary General of the Ba'ath Party
- Hyland, William G.**, Director, Bureau of Intelligence and Research, Department of State, from January 1974 until November 1975; thereafter Deputy Assistant to the President for National Security Affairs until January 1977
- Ikle, Fred C.**, Director of the Arms Control and Disarmament Agency
- Ingersoll, Robert**, Deputy Secretary of State from July 1974 until March 1976
- Ismail, Hafez**, National Security Adviser to Egyptian President Sadat
- Jackson, Henry M.**, Senator (D-Washington)
- Jamieson, L. Kenneth**, Chairman and Chief Executive Officer of Exxon Corporation until his retirement in 1975
- Janka, Leslie A.**, member, National Security Council Staff
- Jarring, Gunnar**, United Nations Special Representative for the Middle East
- Jobert, Michel**, French Foreign Minister until 1974
- Karim, Tayeh Abdul**, Iraqi Petroleum Minister from November 1974
- Katz, Julius L.**, Assistant Secretary of State for Economic and Business Affairs from September 1976
- Kazzar, Nazim**, Iraqi Director of Public Security until June 1973
- Kennedy, Richard T.**, Colonel, USA, member, National Security Council Staff from January 1970
- Khalatbari, Abbas**, Iranian Foreign Minister from September 1971
- Khatami, Mohammad**, General, Commander of the Imperial Iranian Air Force
- Khomeini, Ayatollah Ruhollah**, exiled Iranian religious leader
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- Sultan bin Abdul-Aziz Al Saud**, Prince, Saudi Minister of Defense and Aviation
- Symington, Stuart**, Senator (D-Missouri)
- Talabani, Jalal**, leader of Kurdish revolutionary movement
- Taqi, Shathel**, Iraqi Foreign Minister from June until his death in October 1974
- Thacher, Nicholas G.**, U.S. Ambassador to Saudi Arabia until September 1973
- Toufanian, Hassan**, Lieutenant General, Iranian Deputy Minister of War for Armaments
- Twinam, Joseph W.**, U.S. Ambassador to Bahrain
- Uthman, Mahmud**, personal representative of Mustafa Barzani; Kurdish Democratic Party official
- Vest, George S.**, Director of the Bureau of Politico-Military Affairs, Department of State, from April 1974
- Von Marbod, Erich**, Defense Representative, Iran
- Walters, Vernon**, Lieutenant General, USA, Deputy Director, Central Intelligence Agency from July 1976
- Weintraub, Sidney**, Deputy Assistant Secretary of State for International Finance and Development
- Whitlam, Edward Gough**, Australian Prime Minister until November 1975
- Wickham, John A., Jr.**, Major General, USA, Military Assistant to the Secretary of Defense
- Williams, Harrison A., Jr.**, Senator (D-New Jersey)
- Williamson, General Ellis W.**, Chief, U.S. Army Mission in Iran/Military Assistance Advisory Group (ARMISH/MAAG) until July 1973

**Wilson, Samuel**, Lieutenant General, USA, Director of the Defense Intelligence Agency  
**Wyatt, Wendell**, member, U.S. House of Representatives (R-Oregon)

**Yamani, Ahmad Zaki**, Saudi Minister of Petroleum and Mineral Resources

**Zahedi, Ardeshir**, Iranian Ambassador to the United States

**Zarb, Frank**, Administrator, Federal Energy Administration from 1974 until 1977

**el-Zayyat, Mohamed Hassan**, Egyptian Foreign Minister until October 1973

**Zhou Enlai**, Premier of the People's Republic of China until January 1976



# Note on U.S. Covert Actions

In compliance with the *Foreign Relations of the United States* statute that requires inclusion in the *Foreign Relations* series of comprehensive documentation on major foreign policy decisions and actions, the editors have identified key documents regarding major covert actions and intelligence activities. The following note will provide readers with some organizational context on how covert actions and special intelligence operations in support of U.S. foreign policy were planned and approved within the U.S. Government. It describes, on the basis of declassified documents, the changing and developing procedures during the Truman, Eisenhower, Kennedy, Johnson, Nixon, and Ford Presidencies.

## *Management of Covert Actions in the Truman Presidency*

The Truman administration's concern over Soviet "psychological warfare" prompted the new National Security Council to authorize, in NSC 4-A of December 1947, the launching of peacetime covert action operations. NSC 4-A made the Director of Central Intelligence responsible for psychological warfare, establishing at the same time the principle that covert action was an exclusively Executive Branch function. The Central Intelligence Agency (CIA) certainly was a natural choice but it was assigned this function at least in part because the Agency controlled unvouchered funds, by which operations could be funded with minimal risk of exposure in Washington.<sup>1</sup>

The CIA's early use of its new covert action mandate dissatisfied officials at the Departments of State and Defense. The Department of State, believing this role too important to be left to the CIA alone and concerned that the military might create a new rival covert action office in the Pentagon, pressed to reopen the issue of where responsibility for covert action activities should reside. Consequently, on June 18, 1948, a new NSC directive, NSC 10/2, superseded NSC 4-A.

NSC 10/2 directed the CIA to conduct "covert" rather than merely "psychological" operations, defining them as all activities "which are conducted or sponsored by this Government against hostile foreign states or groups or in support of friendly foreign states or groups but which are so planned and executed that any US Government responsibility for them is not evident to unauthorized persons and that if un-

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<sup>1</sup> NSC 4-A, December 17, 1947, is printed in *Foreign Relations*, 1945-1950, Emergence of the Intelligence Establishment, Document 257.

covered the US Government can plausibly disclaim any responsibility for them.”

The type of clandestine activities enumerated under the new directive included: “propaganda; economic warfare; preventive direct action, including sabotage, demolition and evacuation measures; subversion against hostile states, including assistance to underground resistance movements, guerrillas and refugee liberations [*sic*] groups, and support of indigenous anti-Communist elements in threatened countries of the free world. Such operations should not include armed conflict by recognized military forces, espionage, counter-espionage, and cover and deception for military operations.”<sup>2</sup>

The Office of Policy Coordination (OPC), newly established in the CIA on September 1, 1948, in accordance with NSC 10/2, assumed responsibility for organizing and managing covert actions. The OPC, which was to take its guidance from the Department of State in peacetime and from the military in wartime, initially had direct access to the State Department and to the military without having to proceed through the CIA’s administrative hierarchy, provided the Director of Central Intelligence (DCI) was informed of all important projects and decisions.<sup>3</sup> In 1950 this arrangement was modified to ensure that policy guidance came to the OPC through the DCI.

During the Korean conflict the OPC grew quickly. Wartime commitments and other missions soon made covert action the most expensive and bureaucratically prominent of the CIA’s activities. Concerned about this situation, DCI Walter Bedell Smith in early 1951 asked the NSC for enhanced policy guidance and a ruling on the proper “scope and magnitude” of CIA operations. The White House responded with two initiatives. In April 1951 President Truman created the Psychological Strategy Board (PSB) under the NSC to coordinate government-wide psychological warfare strategy. NSC 10/5, issued in October 1951, reaffirmed the covert action mandate given in NSC 10/2 and expanded the CIA’s authority over guerrilla warfare.<sup>4</sup> The PSB was soon abolished by the incoming Eisenhower administration, but the expansion of the CIA’s covert action writ in NSC 10/5 helped ensure that covert action would remain a major function of the Agency.

As the Truman administration ended, the CIA was near the peak of its independence and authority in the field of covert action. Although the CIA continued to seek and receive advice on specific projects from the NSC, the PSB, and the departmental representatives origi-

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<sup>2</sup> NSC 10/2, June 18, 1948, is printed *ibid.*, Document 292.

<sup>3</sup> Memorandum of conversation by Frank G. Wisner, “Implementation of NSC-10/2,” August 12, 1948, is printed *ibid.*, Document 298.

<sup>4</sup> NSC 10/5, “Scope and Pace of Covert Operations,” October 23, 1951, is printed in *Foreign Relations, 1950–1955, The Intelligence Community*, Document 90.

nally delegated to advise the OPC, no group or officer outside of the DCI and the President himself had authority to order, approve, manage, or curtail operations.

*NSC 5412 Special Group; 5412/2 Special Group; 303 Committee*

The Eisenhower administration began narrowing the CIA's latitude in 1954. In accordance with a series of National Security Council directives, the responsibility of the Director of Central Intelligence for the conduct of covert operations was further clarified. President Eisenhower approved NSC 5412 on March 15, 1954, reaffirming the Central Intelligence Agency's responsibility for conducting covert actions abroad. A definition of covert actions was set forth; the DCI was made responsible for coordinating with designated representatives of the Secretary of State and the Secretary of Defense to ensure that covert operations were planned and conducted in a manner consistent with U.S. foreign and military policies; and the Operations Coordinating Board was designated the normal channel for coordinating support for covert operations among State, Defense, and the CIA. Representatives of the Secretary of State, the Secretary of Defense, and the President were to be advised in advance of major covert action programs initiated by the CIA under this policy and were to give policy approval for such programs and secure coordination of support among the Departments of State and Defense and the CIA.<sup>5</sup>

A year later, on March 12, 1955, NSC 5412/1 was issued, identical to NSC 5412 except for designating the Planning Coordination Group as the body responsible for coordinating covert operations. NSC 5412/2 of December 28, 1955, assigned to representatives (of the rank of assistant secretary) of the Secretary of State, the Secretary of Defense, and the President responsibility for coordinating covert actions. By the end of the Eisenhower administration, this group, which became known as the "NSC 5412/2 Special Group" or simply "Special Group," emerged as the executive body to review and approve covert action programs initiated by the CIA.<sup>6</sup> The membership of the Special Group varied depending upon the situation faced. Meetings were infrequent until 1959 when weekly meetings began to be held. Neither the CIA nor the Special Group adopted fixed criteria for bringing projects before the group; initiative remained with the CIA, as members representing

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<sup>5</sup> William M. Leary, editor, *The Central Intelligence Agency: History and Documents* (The University of Alabama Press, 1984), p. 63; for text of NSC 5412, see *Foreign Relations, 1950–1955*, The Intelligence Community, Document 171.

<sup>6</sup> Leary, *The Central Intelligence Agency: History and Documents*, pp. 63, 147–148; *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate*, Book I, *Foreign and Military Intelligence* (1976), pp. 50–51. For texts of NSC 5412/1 and NSC 5412/2, see *Foreign Relations, 1950–1955*, The Intelligence Community, Documents 212 and 250.



other agencies frequently were unable to judge the feasibility of particular projects.<sup>7</sup>

After the Bay of Pigs failure in April 1961, General Maxwell Taylor reviewed U.S. paramilitary capabilities at President Kennedy's request and submitted a report in June that recommended strengthening high-level direction of covert operations. As a result of the Taylor Report, the Special Group, chaired by the President's Special Assistant for National Security Affairs McGeorge Bundy, and including Deputy Under Secretary of State U. Alexis Johnson, Deputy Secretary of Defense Roswell Gilpatric, Director of Central Intelligence Allen Dulles, and Chairman of the Joint Chiefs of Staff General Lyman Lemnitzer, assumed greater responsibility for planning and reviewing covert operations. Until 1963 the DCI determined whether a CIA-originated project was submitted to the Special Group. In 1963 the Special Group developed general but informal criteria, including risk, possibility of success, potential for exposure, political sensitivity, and cost (a threshold of \$25,000 was adopted by the CIA), for determining whether covert action projects were submitted to the Special Group.<sup>8</sup>

From November 1961 to October 1962 a Special Group (Augmented), whose membership was the same as the Special Group plus Attorney General Robert Kennedy and General Taylor (as Chairman), exercised responsibility for Operation Mongoose, a major covert action program aimed at overthrowing the Castro regime in Cuba. When President Kennedy authorized the program in November, he designated Brigadier General Edward G. Lansdale, Assistant for Special Operations to the Secretary of Defense, to act as chief of operations, and Lansdale coordinated the Mongoose activities among the CIA and the Departments of State and Defense. The CIA units in Washington and Miami had primary responsibility for implementing Mongoose operations, which included military, sabotage, and political propaganda programs.<sup>9</sup>

President Kennedy also established a Special Group (Counter-Insurgency) on January 18, 1962, when he signed NSAM No. 124. The Special Group (CI), set up to coordinate counter-insurgency activities separate from the mechanism for implementing NSC 5412/2, was to confine itself to establishing broad policies aimed at preventing and resisting subversive insurgency and other forms of indirect aggression in friendly countries. In early 1966, in NSAM No. 341, President Johnson assigned responsibility for the direction and coordination of counter-insurgency activities overseas to the Secretary of State, who established

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<sup>7</sup> Leary, *The Central Intelligence Agency: History and Documents*, p. 63.

<sup>8</sup> *Ibid.*, p. 82.

<sup>9</sup> See *Foreign Relations*, 1961–1963, volume X, Cuba, 1961–1962, Documents 270 and 278.

a Senior Interdepartmental Group to assist in discharging these responsibilities.<sup>10</sup>

NSAM No. 303, June 2, 1964, from Bundy to the Secretaries of State and Defense and the DCI, changed the name of "Special Group 5412" to "303 Committee" but did not alter its composition, functions, or responsibility. Bundy was the chairman of the 303 Committee.<sup>11</sup>

The Special Group and the 303 Committee approved 163 covert actions during the Kennedy administration and 142 during the Johnson administration through February 1967. The 1976 Final Report of the Church Committee, however, estimated that of the several thousand projects undertaken by the CIA since 1961, only 14 percent were considered on a case-by-case basis by the 303 Committee and its predecessors (and successors). Those not reviewed by the 303 Committee were low-risk and low-cost operations. The Final Report also cited a February 1967 CIA memorandum that included a description of the mode of policy arbitration of decisions on covert actions within the 303 Committee system. The CIA presentations were questioned, amended, and even on occasion denied, despite protests from the DCI. Department of State objections modified or nullified proposed operations, and the 303 Committee sometimes decided that some agency other than the CIA should undertake an operation or that CIA actions requested by Ambassadors on the scene should be rejected.<sup>12</sup>

The effectiveness of covert action has always been difficult for any administration to gauge, given concerns about security and the difficulty of judging the impact of U.S. initiatives on events. In October 1969 the new Nixon administration required annual 303 Committee reviews for all covert actions that the Committee had approved and automatic termination of any operation not reviewed after 12 months. On February 17, 1970, President Nixon signed National Security Decision Memorandum 40,<sup>13</sup> which superseded NSC 5412/2 and changed the name of the covert action approval group to the 40 Committee, in part because the 303 Committee had been named in the media. The Attorney General was also added to the membership of the Committee. NSDM 40 reaffirmed the DCI's responsibility for the coordination, control, and conduct of covert operations and directed him to obtain policy approval from the 40 Committee for all major and "politically sensitive"

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<sup>10</sup> For text of NSAM No. 124, see *ibid.*, volume VIII, National Security Policy, Document 68. NSAM No. 341, March 2, 1966, is printed *ibid.*, 1964–1968, volume XXXIII, Organization and Management of U.S. Foreign Policy; United Nations, Document 56.

<sup>11</sup> For text of NSAM No. 303, see *ibid.*, Document 204.

<sup>12</sup> *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities, United States Senate, Book I, Foreign and Military Intelligence*, pp. 56–57.

<sup>13</sup> For text of NSDM 40, see *Foreign Relations, 1969–1976*, volume II, Organization and Management of U.S. Foreign Policy, 1969–1972, Document 203.

covert operations. He was also made responsible for ensuring an annual review by the 40 Committee of all approved covert operations.

The 40 Committee met regularly early in the Nixon administration, but over time the number of formal meetings declined and business came to be conducted via couriers and telephone votes. The Committee actually met only for major new proposals. As required, the DCI submitted annual status reports to the 40 Committee for each approved operation. According to the 1976 Church Committee Final Report, the 40 Committee considered only about 25 percent of the CIA's individual covert action projects, concentrating on major projects that provided broad policy guidelines for all covert actions. Congress received briefings on only a few proposed projects. Not all major operations, moreover, were brought before the 40 Committee: President Nixon in 1970 instructed the DCI to promote a coup d'etat against Chilean President Salvador Allende without Committee coordination or approval.<sup>14</sup>

*Presidential Findings Since 1974 and the Operations Advisory Group*

The Hughes-Ryan amendment to the Foreign Assistance Act of 1974 brought about a major change in the way the U.S. Government approved covert actions, requiring explicit approval by the President for each action and expanding Congressional oversight and control of the CIA. The CIA was authorized to spend appropriated funds on covert actions only after the President had signed a "finding" and informed Congress that the proposed operation was important to national security.<sup>15</sup>

Executive Order 11905, issued by President Ford on February 18, 1976, in the wake of major Congressional investigations of CIA activities by the Church and Pike Committees, replaced the 40 Committee with the Operations Advisory Group, composed of the President's Assistant for National Security Affairs, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff, and the DCI, who retained responsibility for the planning and implementation of covert operations. The OAG was required to hold formal meetings to develop recommendations for the President regarding a covert action and to conduct periodic reviews of previously-approved operations. EO 11905 also banned all U.S. Government employees from involvement in political assassinations, a prohibition that was retained in succeeding executive orders, and prohibited involvement in domestic intelligence activities.<sup>16</sup>

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<sup>14</sup> *Final Report of the Select Committee To Study Governmental Operations With Respect to Intelligence Activities*, United States Senate, Book I, Foreign and Military Intelligence, pp. 54-55, 57.

<sup>15</sup> Public Law 93-559.

<sup>16</sup> Executive Order 11905, "United States Foreign Intelligence Activities," *Weekly Compilation of Presidential Documents*, Vol. 12, No. 8, February 23, 1976.

# Iran

January–August 1973

1. **Airgram From the Embassy in Iran to the Department of State**<sup>1</sup>

A-4

Tehran, January 9, 1973.

[Omitted here is a table of contents.]

*Summary*

From an inauspicious beginning two decades ago, the Shahanshah of Iran has gradually gathered all the reins of power in his country into his own hands. Every traditional rival for power has fallen by the wayside and, in the ensuing era of political stability and burgeoning oil income, Iran has entered on a dynamic surge of economic and social growth. The Shah's vision is that his country's internal strength will gain for Iran recognition as the leading power in this part of the world and one that will command respect even among the great powers.

Since the 1971 celebrations of the 2500th anniversary of the establishment of the Persian Monarchy, the Shah has pushed energetically for worldwide recognition of Iran as a power of consequence and one able to play an important international role. This was particularly notable in 1972 when President Nixon and Willy Brandt visited Tehran; when Empress Farah visited China and the Shah himself visited Moscow; and when a host of leaders from lesser countries paid highly publicized official visits to Tehran. Putting muscle into Iran's emerging new role, the Shah has launched his country on a major military buildup that when completed within a few years will give Iran a position of overwhelming military superiority in the strategic Persian Gulf and the area as a whole, the Soviet Union excepted.

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, POL 1 IRAN. Secret. Drafted by Killgore, Henry L. Taylor and Henry Precht of the Political Section of the Embassy, and Escudero; cleared by Killgore; and approved by Heck. Repeated to Amman, Ankara, Athens, Beirut, Bonn, Cairo, Colombo, Dacca, Hong Kong, Islamabad, Jerusalem, Jidda, Kabul, Kuwait, London, Manama, Moscow, New Delhi, Nicosia, Paris, Sanaa, Taipei, Tel Aviv, and Tripoli.

The Shah in the coming years will remain heavily dependent on the United States for military advice and matériel. In the long run relations between Iran and the United States are soundly based and mutual inter-dependence is unlikely to diminish. Iran's dramatic rise is unlikely to be without some accompanying problems, at home perhaps from a growing middle class anxious to share the Shah's power and abroad perhaps from peoples, especially among certain of the Arabs, uneasy about Iran's growing power position. But with good sense problems should be manageable and the Shah will remain our best hope to help maintain peace and stability in an area of vital strategic concern to the United States. *End Summary*

### I. Domestic Political Assessment

What follows is not a prediction. It represents our best guess, admittedly speculative, as to what is likely to happen in the Iranian political milieu over the short term and, with less certainty, in the more distant future.

#### A. Short Term

##### 1. Continued Stability

###### a. Role of the Shah

Barring unforeseen circumstances, the Shah will retain for the foreseeable future his predominant position; standing astride the Iranian political scene like a colossus, with all the reins of power in his hands and admitting of no rival. At the end of the Mossadeq era in 1953, HIM saw that he must take personal direction of his country's fortunes to ensure stable national development and the continuation of the Pahlavi Dynasty. His total success has enhanced his prestige and underlined his multifaceted position as stern ruler, national guide and mentor, remote but omniscient father-figure and, to some, reactionary oppressor and destroyer of individual liberties. The imperial influence, real or imagined, now extends to virtually all levels of Iranian society.

###### b. Development

Regardless of how one views him, there is no denying that HIM has been and will continue to be the prime mover in the extraordinary saga of Iranian national resurgence through his deft use of material and manpower resources and his unexcelled manipulation of the Iranian political system. Even many of his critics admit that he is indispensable. Iran's phenomenal rate of growth, the highest of any developing country, has been the linchpin of the Shah's success for it is precisely the vast and constantly increasing level of resources at his disposal which has enabled the monarch to co-opt the disaffected, to offer monetary rewards to bright ambitious young men, to provide the military with new weapons—in short, to respond to the economic needs of most

politically important segments of Iranian society and keep them reasonably satisfied while the political course of the nation remains under his personal control. With rising oil prices and augmented petroleum production levels, not to mention utilization of Iran's other resources, it goes without saying that Iran's rapid development will continue and the Shah will point to it as proof of the correctness of his policies.

*c. Lack of a Viable Opposition*

A measure of the Shah's success is the absence of any group which could conceivably pose a threat to his regime. The political parties, Majlis, judiciary and other organs of government and the press are closely controlled; the growing middle class is kept reasonably satisfied through economic rewards; the power of the conservative landlords was shattered by the White Revolution; the traditional clergy-bazaar alliance could cause trouble but lacks the clout to threaten the regime; the military appears to be loyal; the tribes could cause only extremely localized problems; and the students and terrorists lack a broad base of support, are not well organized, and live in fear of the ruthless and efficient security organization, SAVAK. So long as the Shah is alive and retains both possession of his faculties and the loyalty of the military and security organs, there is little chance that any group or individual could threaten his reign or even substantially weaken his power.

*2. Further Development of the Empress' Image*

With a view toward a stable succession, the Shah, since 1966, has been building up the image of the Empress as a concerned and able ruler capable of assuming the Regency. The most recent manifestation of this carefully orchestrated program was Her Majesty's visit to China, which, though essentially non-substantive, cloaked her with a certain aura of statesmanship. The Shahbanou can be expected to make similar journeys in the future and to increase her involvement with world-wide humanitarian causes such as the <sup>2</sup>Red Cross in order to enhance her international image. At the same time, she will maintain her well-publicized interest in charitable endeavors at home and will probably speak out more frequently on political and economic matters of substance in hopes of building on her already widespread popularity.

*B. Long Term: Pre-Succession*

*1. Pressures on Stability*

As noted above, the chances of a credible threat to national stability arising from any quarter while the Shah is alive and in good health are remote indeed. However, an unforeseen calamity, such as a serious economic reversal, could increase pressures on his regime and

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<sup>2</sup> International. [Footnote in the original.]

limit his room for maneuver. Moreover, continued economic growth accompanied by broader education and more intimate contacts with the West are producing more strident demands by a broad spectrum of Iranian society for participation in the nation's political system. Over the long term, pressures for change will gradually build up and it will probably be difficult for the Shah to reduce them without making significant alterations in the conduct of political activity in Iran. To the extent that the regime is subjected to long-term pressure, the impetus is most likely to come from one or more of the following areas:

a. *Military*

Even over the long term, there seems little reason to expect Iran's pampered military to threaten the rule of the present Shah. Though the armed forces do not occupy a prestigious position in the Iranian mind, they receive the latest in weaponry and bask in the warmth of the imperial favor. (The head of the Air Force is related to the Royal Family by marriage, while all indications are that the monarch's nephew will one day command the Navy.) Of course, this does not eliminate a possible change of heart among the military brought about by an event such as an Iranian defeat by the forces of a supposedly weaker neighbor. It is also well to remember that the armed forces are the only organized body in Iran with sufficient cohesion, discipline and power to replace the present regime with one of its own choosing. Despite its potential and occasional signs of disloyalty such as the arrest of several army officers for collaborating with the Russians, there are no indications that the military as a whole is anything other than loyal to the person of the Shah.

b. *Corruption*

A major source of voiced criticism of the regime is the extensive corruption which seems to permeate the whole of Iranian society from the Royal Family down to the lowest bureaucrat. The *bakhshesh* system is traditional in Iran and the average Iranian, who is every bit as corrupt as whoever he may choose to criticize, is completely cynical about it. But many Western-educated Iranians object to corruption on moral grounds and regard its practice as degrading to the nation. Iran's growing numbers of technocrats are especially opposed to corruption on the grounds that it is inherently inefficient and a waster of resources. To some extent, these classes seem to transfer their resentment of corruption to the regime which permits it and, while they are not numerous, their numbers are growing and they are the builders upon whom much of Iran's future development depends. Thus, their support is important to the regime over the long term and, though they have no political mechanism for expressing dissatisfaction, they could do so by leaving Iran and depriving the nation of their talents.

Past GOI anti-corruption drives have proven futile, but the Iranian government must one day come to grips with this problem.

*c. Students and Terrorists*

Perhaps the group most thoroughly opposed to the Shah and his regime are students, inside and outside Iran, and the terrorists for whom they provide a fertile field for recruitment. Their opposition stems from ideological commitment from both left and right, fashionable student defiance of authority and, in growing numbers, an apparent sense of moral outrage at the political inequalities which exist in Iran and the draconian treatment meted out to fellow oppositionists. The regime's repressive policies, intended as a control measure, appear to create as many oppositionists as it removes. Overall, however, their numbers are few and their amateurish organizations are often penetrated by SAVAK.<sup>3</sup> More importantly, they lack the broad base of support among Iranians which would be necessary if they are ever to become anything more than an irritant at home and an embarrassment abroad. The effectiveness of their dissent is much reduced by the tendency of the majority of graduates to sublimate their dissatisfaction and accept the monetary rewards which Iranian society has to offer.

The students' one real success to date has been to influence international opinion in their favor, but so long as the Shah is prepared to ignore such opinion, and he is quite capable of doing so, it seems unlikely that the students or the terrorists will succeed in forcing political change on their country.

*d. Conservative Resurgence*

Every successful Iranian political upheaval of the Twentieth Century has counted among its adherents a conservative alliance of the clergy and the bazaar. As recently as the Mossadeq period, mullahs and professional rabble rousers were used to recruit paid mobs of bazaari types who first marched and later rampaged against the government. This group, particularly the clergy, remains disaffected and religion maintains a still considerable hold over the hearts and minds of less educated Iranians. Perhaps for this reason, the Shah has refrained from a direct confrontation with the clergy but has attempted to whittle away their power slowly through such devices as the Religious Endowment Organization and the so-far abortive Religious Corps. Anti-regime mullahs are jailed or exiled, demonstrations in religious centers such as Qom are broken up and no conceivable mob could withstand the fire-

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<sup>3</sup> In telegrams 140 and 242 from Tehran, January 8 and 13, the Embassy reported that seven accused terrorists, including some implicated in the 1972 murder of Brigadier General Said Taheri, had been executed. (National Archives, RG 59, Central Files 1970–73, POL 23–8 IRAN) See *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 218.



power of the military if it chose to defend the Shah. Therefore, it appears that the days when a clergy/bazaari alliance could directly precipitate significant political change are over. They could support or oppose a particular claimant for power, but would be most useful in the period following a change at the top when their influence, especially that of the clergy, would be instrumental in urging public acceptance of a new ruler or rulers.

e. *Tribal Dissent*

The tribes, too, appear to be finished as a national political force in Iran. The khans and il-khans retain a potential for localized disturbances and, if they could work together and seize the right moment, the Baluchis or the Kurds could easily disturb the stability of entire provinces. However, for political control of Iran only Tehran matters and, in the face of the armed forces no tribe or combination of tribes could put effective pressure on the capital. The tribes might make their influence felt in the confused period following a coup but even then they would be likely to back different contenders and so fragment whatever power they might have.

2. *Evolution of the Iranian Governmental Structure*

As all government in Iran stems from the Shah, so must any consideration of possible changes in governmental structure be based on his attitudes.

From a playboy prince, this remarkable man metamorphosed into a determined ruler during the years between his accession to the throne in World War II and the fall of Mossadeq in 1953. We believe that two events contributed most to his reformation: The first was the overthrow and exile of his tyrannical and awesome father Reza Shah, as a result of foreign intervention. This has left the monarch with an appreciation of Iran's position vis-à-vis the great powers and reinforced the natural Persian distrust of foreign nations to a point which sometimes seems to border on paranoia. The second event was the career of Mohammad Mossadeq which culminated in the chaotic period of August 1953 when the Shah was forced to flee the country only to return two weeks later when Mossadeq was ousted.

This experience evidently convinced the Shah that the Iranian people were not ready for democracy and that his firm hand and stern rule were needed to direct the nation into the modern world. He may have succeeded too well for, while he has virtually autocratic control, he has brought the country to a point of economic development where the basic needs of many of its citizens are satisfied and some of the better educated and more affluent are beginning to feel the need for a voice in the running of their own affairs. The Shah has not yet shown himself prepared to divest himself of any significant degree of political control and such is his power that the pressures on the monarchy may

not become acute until after his disappearance from the scene. We believe that HIM is at least intellectually committed to democracy for Iran and is aware of the difficulties involved in making free government work, but his unbroken string of successes seems to have given him a sense of infallibility which approaches megalomania and such a man does not easily relinquish power. Moreover, even if he does decide to give a greater voice to the people he is faced with a dilemma: how to release power at a rate at which the people can accept it—not so fast as to generate the chaos of Mossadeq's day which could destroy much of what the monarch has spent his life creating, and not so slow as to excite expectations and resentment, laying the seeds of future problems which could threaten the succession. The Shah has at least created or maintained some of the forms of democracy though they presently exist only as hollow shells. There are signs that he is beginning to delegate a fraction of his authority to more trusted subordinates but no indication that any of this is filtering down to the people. In any case, even if His Majesty does move toward democratization, we would expect him to err on the side of caution.

The accommodation of the growing demand for meaningful political participation by the people will probably be the most thorny, personally most difficult, and most important domestic problem facing the Shah during the remainder of his reign. His solution will influence the future of this very strategic nation for years to come.

### *C. Long Term: Post Succession*

In Iran, as has traditionally been the case in dictatorships, the problem of succession looms large. If the Shah has not made great strides before his death toward resolution of the problems of Iranian political development, it is a virtual certainty that pressures for change will surface, possibly accompanied by violence, at the moment of succession.

His Majesty has made arrangements for a smooth succession but after he is no longer in control of events we believe that his efforts toward political reform, if any, will be of compelling significance to his successor, be it the Crown Prince or the Empress.

#### *1. Crown Prince Takes Up the Sceptre*

There is every reason to assume that the Shah will stay healthy and remain in power until Crown Prince Reza Cyrus Ali assumes his majority. From that moment on the problem of succession will become more simplified and there are those who say that the Shah may even step aside to give his son experience while retaining the final word on matters of importance. This would be the best of all possible worlds as a smooth succession would minimize uncertainty and the possibilities for internal disruption. Much would depend on the personality of the

Prince himself, presently a twelve-year-old boy about whom, unfortunately, very little is known. Therefore, any predictions as to the likely success or failure of the Crown Prince as Shah must await a future assessment when more information is available.

## *2. Farah Becomes Regent*

In the unlikely event that the Shah should die before the Crown Prince could assume the mantle, it is provided by the Constitution and by imperial decree that Empress Farah shall become Regent. But just saying it doesn't make it so.

Especially in the early stages of her Regency, Farah will meet with opposition at the court almost certainly headed by HIM's twin sister Princess Ashraf, a veteran palace intriguer who has been an enemy to all three of the Shah's wives (we will report further on possible court infighting at a later date). Ashraf has a circle of supporters at Court but most of them are not the sort who would be brokers in a power struggle. Moreover, she is unpopular at home and abroad and in the end we think she would lose.

Farah, on the other hand, is genuinely popular among the people and is the beneficiary of the carefully orchestrated program of image making noted above. She would enjoy the support of her son the Crown Prince and one of the imperial brothers, Prince Mahmud Reza, would probably favor her over Ashraf, but we have no evidence that she has established a circle of supporters at Court or that she has the intestinal fortitude necessary to ward off threats to her position. Additionally, despite her popularity, the fact of her sex would hamper her with most Iranians and so she would probably seek a supporter and/or protector. One such could be the Air Force Commander, General Khattami, who is ambitious, clever and reportedly corrupt. He could well prefer to side with the Empress thinking to find her more malleable than Ashraf and would be likely to try to rule Iran through Farah. In the beginning at least, we would expect Farah to rely heavily on her supporters, perhaps to the point of giving up real power to one or more of them.

Traditionally, both the press and parliament assume more active roles in times of imperial weakness or uncertainty. In such circumstances, they have also shown themselves vulnerable to foreign influence. They could be expected to become so again until the question of power at the top is settled, after which they would resume their role of quiescence in direct proportion to the degree of control exercised by the Palace.

## II. Military Dimension

With an estimated 23 percent of the national budget, or about 12 percent of GNP, assigned to defense and a significant portion of the

sovereign's time devoted to military affairs, the future development of Iran's defense establishment will clearly play a major role in the country's political evolution and its relations with its neighbors and the US. Four broad questions should be addressed in assessing that role: (1) the impact of the military buildup on Iran's foreign relations; (2) public attitudes toward the military; (3) the military's appetite for political power; and (4) the effect of a large military establishment on national development. In a country where dissembling is an accepted trait and control of even semi-public expression, especially as regards national security, is highly effective, our answers to these questions must necessarily be speculative. Nevertheless, we have attempted to draw the apparent implications for US policy.

The US is deeply involved in the growth of Iran's military program. We have had a significant and successful team of military advisors in Iran since World War II and the present group of about 140 MAAG advisors will within a year be supplemented by some 900 temporary military technicians. Over 11,000 Iranian military personnel have been trained in the US. Until this fiscal year, Iran had received \$840 million in grant assistance and about another \$1 billion in credit for hardware and services. Commitments during FY 1973 to buy in the US may reach \$3 billion. Although we now treat Iran as completely sovereign in military matters and no longer question for political reasons the acquisition of specific items or the country's ability to pay for its programs, our position in Iran is clearly very closely associated with the effectiveness, the utilization and the consequences of this buildup.

#### *Military Power and Foreign Relations*

Pride and fear, emotions deriving from historical experience and present rivalries, combine to shape Iran's outlook on the world and its military posture. Determined that the modern Persian Empire shall command respect from even the super powers, the Shah is acquiring the best equipped, non-nuclear military force that his considerable resources will buy. In a sense, the latest supersonic jet fighters and most advanced military technology function as the mosques and monuments of past Persian dynasties. They are the marvels that are intended to dazzle Iran's neighbors with the power and prestige of the Pahlavi line.

But the new armaments are not intended purely for show, for the Shah has an ever present fear of Iran's being encircled by hostile or potentially disruptive neighbors. The USSR, Iran's traditional antagonist, is of course in another class militarily, but the Shah has directed that in the event of a Soviet military intervention his forces would fight a delaying action ("scorched earth") until help could come from more powerful friends. Meanwhile, in a policy of limited military cooperation,

the Shah has purchased from the USSR unsophisticated vehicles, artillery and construction equipment for the Ground Forces. It seems clear the GOI does not want to place itself in a position of dependence on the USSR for supply of spare parts for complex equipment vital to national defense. Also, the Iranians are acquiring equipment which will require only a minimum of Soviet advisors to be sent here or Iranians to be sent for training in the USSR. As a consequence of the Imperial Iranian Ground Forces' (IIGF) limited experience with Soviet gear, maintenance is becoming a serious problem.

Iran's chief strategic concern is Soviet military supply for the radical and hostile regime in Iraq which maintains irredentist claims against Iran's Arab-populated and oil-rich Khuzestan Province. Skirmishes have flared along the remote border where local commanders appear prone to exercise their troops after winter confinement. Yet neither side has been willing to escalate to fighting of major proportions.

Despite Iran's overwhelming military superiority over Iraq, Iran has thus far not sought trouble with Iraq and has generally reacted with restraint towards Iraqi annoyances. Iran's forces are untested in battle and their ranks of capable leaders and skilled operators and technicians are very thin. While Iran might best Iraq in a short engagement, a long drawn-out conflict could prove severely damaging, particularly if the Soviet Union or, possibly, India became actively engaged in assisting the Baathists. Apparently owing to this uncertainty and potential limitation of his freedom of action and doubts as to what aid he might expect from the US in an emergency, the Shah feels the higher wisdom is to acquire a modern, unquestioned superiority as quickly as possible.

The tiny and anachronistic Gulf sheikhdoms and Saudi Arabia pose no threat to Iran, but are seen in Tehran as fertile centers for the growth of radical Arab nationalism of the Iraqi or South Yemeni brand. Should the conservative rulers be replaced by hostile adventurers, Iran fears its strategic access through the Gulf would be threatened. Accordingly, the GOI is already involved to some extent in aiding the harassed North Yemeni and Oman governments, including furnishing some military assistance. We would expect this pattern of assistance against radical subversion or invasion to continue. Seeing itself as the only regional nation with the power to preserve stability, Iran may be ready to render aid to those governments with common interests in maintaining the Gulf status quo. Should the situation in the area, as seen from Tehran, seriously deteriorate, and when the Imperial Iranian Armed Forces are further into their buildup program, an Iranian military intervention would become a possibility we should have to watch for.

Similarly, in the East, we believe the Shah might intervene militarily to protect Iran's interests should, as he fears is a possibility, Pakistan break up and leave the future of Baluchistan in an uncertain

status. With that consideration in mind, as well as his apprehensions as to Afghanistan's ability to continue to resist Soviet influence, the Shah is bolstering Iran's eastern defenses. A sea, air and land base at Chah Bahar on the Gulf of Oman will be the key installation. From there, air and sea patrols will be made into the Indian Ocean, which the Shah has described as Iran's "security perimeter."

Owing to our active and close participation as advisor and supplier of Iran's new power, the US will be inevitably associated with the direction of any future Iranian foreign initiatives. It is possible that we might wish quietly to endorse a particular GOI military "police action" or program of assistance. It is also possible, but more unlikely, that an Iranian action could seriously damage other US interests in the area and conceivable that we would seek to use our advice/supply leverage to influence the Shah's decisions. It would, however, be a foolish and sterile policy to restrict our role at this time in an attempt to forestall possibly undesirable Iranian actions or limit a possible future arms race in the area. The Shah has shown he is willing to seek substitutes in place of our assistance and there are others, notably the British and French, who would not be likely to share our qualms.

Rather, we believe that we should seek affirmatively to increase the utility of our services to the GOI so as to maintain our influence over its policy. We should be prompt and positive in handling requests and provide the best quality advice available. It will also be necessary energetically to counsel the GOI to undertake the necessary measures to improve training, management skills and systems integration, if Iran's massive building program is to succeed. Failure could lead to GOI frustrations which could be attributed to the USG and possibly be seriously damaging for the US position in this country.

#### *Public Attitudes*

Only among the small scattering of educated and liberal young professionals have we heard criticism of the vast amounts being budgeted for defense. These criticisms are muted, we suspect, because the private economy is doing so well, and because not many of the elite are eager to prejudice their positions by seeming to oppose the Shah. Further, as in most of the world, the Iranian public is not prone to dispute the need for a strong military. All are aware of their sad history in the nineteenth century and through World War II when Iran was pushed around by stronger powers. No one wants to risk danger to the country's oil resources facilities. Finally, in the absence of any public analysis of the external threat or the effectiveness of the systems devised to meet it, there is no opinion-forming leadership for a critical attack on the military.

This state of affairs could change, of course. Should—a remote possibility—the economy drastically slow down or—more possible—infla-

tion become an issue of crisis proportions, the military burden might come to be regarded by many as intolerably heavy. Or, should the military become involved in overly harsh treatment of dissident elements or scandals seriously offensive to the public, the respectability of the Services could suffer. There are no grounds for predicting any of these developments, however, and it seems probable that the military will continue to provide a valuable, accepted support for the Shah. Consequently, there are no present grounds for concern about a close US identification with the Iranian military, but we should continue to monitor our position carefully.

### *The Military in Politics*

Although the Pahlavi line owes its beginnings and its salvation in 1953 to military intervention, there is no public or private evidence that the Iranian armed forces now aspire to a political role. The Shah has seen to that. Following purges of communists and others whose loyalty was suspect, the Services have been heavily larded with SAVAK agents and military personnel are subject to close scrutiny on security grounds. Occasional trials of officers accused of espionage for the USSR maintain the desired tension. As a consequence, at least in part, perhaps the greatest failing of the military leadership now is the unwillingness of subordinates to make even simple decisions. Loyalty and obedience take precedence over proficiency, energy and initiative.

For these reasons, few officers complain to Americans about Service conditions. But we know they are poorly paid in comparison with contemporaries in the booming private sector. It is very difficult to obtain a discharge from the regular Services. And there is considerable inter-service rivalry and some resentment at the way officers who fail to make the grade are summarily dismissed. While it is possible that some Greek- or Moroccan-type colonels might wish to move against the Government, we believe that type of action is exceedingly unlikely. Motivation for a military conspiracy would seem to be lacking as long as (1) the Iranian economy sustains its momentum and its benefits are distributed with a measure of justice that feeds hope, and (2) there is no disaster, especially a military defeat, for the Shah's foreign policy.

In the event of a transition in the regime, following the natural death or removal of the Shah by other means, the military is likely to be the dominant force in controlling political developments. No other institution combines the structure, discipline and assets necessary for political direction. The probability is that the Armed Forces would act as one unit, although it is conceivable that in a period of dire stress individual units might pursue divergent goals. Assuming general discipline, chances are that a transition could be peacefully accomplished. If forced to choose the key military figure in a transition, we would pick General Mohammed Khatami, as the husband of the Shah's sister

well-connected in the establishment, and as head of the Air Force, leader of the most effective of the three Services. Few politicians have his stature and following. He is extremely pro-American as is, we feel, the majority opinion in the three Services. Under new leadership, with the military exerting substantial influence, we would not anticipate any major change in Iranian policy, especially as it affects US interests. On the basis of the present relationship, we would expect that our military supply and advisory role would be continued unchanged. Our long and close collaboration with the military elite should pay dividends during an uncertain period of political transition.

#### *Military Role in Development*

The military's contribution to national development is as yet not fully realized. In a country with 57 percent of the population rural dwelling with few of the amenities of modern life and only 35 percent of the population literate, military service could have an important role as a modernizing agency. Each year between 60,000 and 80,000 men and women are conscripted for two years military duty. Although all are taught to read and write, few receive much technical instruction. More could be done in the military to create the reservoir of skills needed for industrial development.

Because of its financial resources and, compared to other government agencies, its useful reserve of technical and managerial competence, the military has taken a significant part in the direction of key industries. Although most are defense-oriented (aviation and ammunition) others are in the civilian sector (cement and machine tools). This function allows the Shah to exercise greater direct control over industrial development and enables him to give impetus to his desire for a local capability for manufacturing defense-related items.

The crucial effect of the military program on the economy is the drain of funds and skilled manpower away from civilian development projects. With military expenditures totaling about \$1.3 billion in the current budget and actual outlay close to \$1.8 billion, the ability to continue both military and development programs is hinged on the continued growth in oil income. Military loan payments abroad are expected to rise from \$220 million this year to at least \$400 million in FY 1976. We have the impression that little study has been given to this problem by the GOI. Although the rise in oil revenues has made previous doubters seem unrealistic pessimists and the GOI perhaps unduly optimistic, it seems probable that the rising curve of military debt repayment will ipso facto reflect on Iran's capacity to pursue social and development programs. In any event, we are no longer, as we once were, in a position to help manage the Iranian economy or influence the GOI to favor priorities of our choosing. The Iranians alone will make



their decisions on the buildup, and if we do not sell items to them, someone else will.

#### *Implications for the US*

The US role in the Iranian military buildup offers significant benefits for our balance of payments and the maintenance of a close political relationship with the GOI. We have concluded that it would not be to our advantage to seek to influence GOI buildup decisions on the basis of possible effects on future Iranian foreign policy or economic development decisions. Our military relationship also appears to hold more advantages than dangers for the US in terms of public attitudes and the likelihood of an Iranian military role in a transition government.

Notwithstanding our solid present position, however, the future is not apt to be problem-free. The massive investment in US military equipment and services with deliveries scheduled over a relatively short time span will clearly strain the absorptive capabilities of the three Services. The Shah is obviously counting heavily on the success of his program; serious delays or foul-ups could lead to frustration in the GOI which would adversely affect our standing here. It is incumbent on us to do everything possible to prevent difficulties in the buildup. To this end we recommend that:

(1) Through military and civilian channels we should counsel the GOI on the necessity for (a) adequate training to keep pace with expanded force structures and hardware acquisitions; (b) improved management capabilities at all levels; and (c) accelerated development of force integration and regional planning.

(2) For our part, we should continue to provide carefully picked advisors who will have the requisite qualities to establish successful relationships with their Iranian counterparts.

(3) We should respond as rapidly as possible to Iranian requests, providing the most advanced non-nuclear equipment sought by the GOI.

### III. Foreign Affairs

#### *A. Principles of Iran's Foreign Policy*

Iran's foreign policy has continued closely aligned to its national progress and the Shah continues to stress that it is in harmony with the "White Revolution." Under the Shah's leadership Iran has emerged as a power in this area. The country is moving ahead to strengthen its position through increasing its military capability, maintaining close ties with the US, augmenting its trade relations and encouraging foreign investments and technological exchanges. The Shah is seeking to fashion an image of Iran adhering to an "independent" foreign policy built

upon friendly bilateral relations with all nations as contrasted to a polarized image. In so doing he is making good use of the diplomatic tools of economic and cultural agreements. That the Iranian sovereign has been successful in his efforts to put his country on the political map is evidenced by his recent visit to London in June and to Moscow in October, the Empress' visit to the Peoples Republic of China and President Nixon's visit to Iran last May.<sup>4</sup>

Recently Prime Minister Hoveyda declared Iran is working to improve the lives of its people, while offering its neighbors—both near and far—cooperation and friendship. The Shah terms the cornerstone of Iran's foreign policy "peace and international understanding."

The stated bases for the Shah's foreign policy in the foreseeable future are likely to continue to be: the strengthening of bilateral relations with all countries—especially his neighbors—couched in terms of peaceful co-existence; support of the United Nations and world peace; and stress on national integrity and inviolability of the principle of non-intervention in the affairs of others. With respect to the latter, he will continue strongly to stress above all else national independence for his country. These tenets, coupled with the Shah's strong advocacy of social justice, world peace through disarmament, and reduction of economic disparity among nations, present a seeming dichotomy when weighed against his heavy program to provide Iran's military forces with the latest of modern weaponry (short of the ultimate in sophisticated equipment). He is quick enough to recognize this, saying that until world peace is achieved it is necessary to have a strong military which is capable of defending the country's integrity should the necessity arise.

During 1972 the Shah's most outstanding accomplishments in his policy of non-polarized bilateralism have been his improvement of Iran's relations with the Peoples Republic of China and the Soviet Union while at the same time strengthening Iran's friendly relations with the United States, which he cherishes and overwhelmingly depends upon for his military supplies and technical economic assistance (as distinct from AID programs).

[Omitted here is Section B.]

#### IV. Prognosis

##### *A. American-Iranian Relations*

Relations between the two nations are about as soundly based as can be imagined, with each side deriving valuable benefits from the

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<sup>4</sup> President Nixon made an official visit to Tehran May 30–31, 1972. See *ibid.*, Documents 200–202.

current happy alignment. Moreover, it is difficult to imagine any reshuffling of allegiances or power relationships in the area that would lessen, at least for any length of time, the dependence of each side on the other. We believe this would probably remain the case even in the unlikely event that the present dynasty passed from the scene. Nevertheless, some observers believe they can detect in current trends the genesis of possible future misunderstandings between Iran and the United States, stemming less from any basic divergence of interests between the two countries than from the presence in the peculiarly strategic Persian Gulf area of several mutually interacting political dynamics in a state of potential disequilibrium.

In looking at the future, the question arises if Iran and the United States are likely to grow less dependent on each other. Briefly listed, the benefits we derive from the relationship are: important intelligence facilities; the only secure air corridor from Europe to Southeast Asia; good markets, a friendly investment climate for US business, and direct contributions to our balance of payments; a current and future reliable source of oil to our allies, and perhaps to us; a staunch political ally in regional and world councils; and an increasingly strong and stable territorial entity standing in the way of Soviet ambitions in the strategic Persian Gulf and Indian Ocean areas. For Iran, the United States is the leading source of military equipment and technological assistance, a friend whose political and psychological support can be relied upon and, of overwhelming and fundamental importance, the sole power in the world strong enough to thwart Soviet designs on Iranian territorial integrity and independence.

Looking ahead, it is possible to imagine some of the advantages in the relationship eventually becoming marginally less important. For example, advancing technology might render the intelligence facilities less important to us, while the Iranians could eventually become somewhat less dependent militarily on us as they manufacture more military equipment themselves and bring their own military personnel to a higher level of proficiency. However, other factors in the mutuality of dependence formula will remain equally compelling in the future, or even grow stronger; and it is difficult to imagine a situation either in which Iran could dispense with its ultimate reliance on the United States for its safety or in which we could countenance an Iran taken into the Soviet orbit.

Moreover, these geopolitical imperatives would, in our view, be likely to reassert themselves even if, as we consider most unlikely, this dynasty should disappear. For we believe that whatever group eventually succeeded to power, perhaps after a period of greater or lesser instability, would be of an Iranian nationalist, rather than Communist, orientation, at least in its foreign relations. Any regime dedicated to

promoting essentially Iranian objectives would have to look askance at the Soviet Union just as the present one does. Thus, the felt Iranian need for the United States to counterbalance the Soviet Union would remain and the essential basis for our continuing cooperation would remain.

While the foregoing might seem to paint such an essentially rosy picture that no problems between the United States and Iran could be expected to arise in the future, we do see the possibility, as suggested earlier, that the natural thrust of Iran's power and ambitions in the Persian Gulf, the Arabian peninsula and vis-à-vis Iran's Arab neighbors in general could eventually lead to divergences between our two countries and create problems for us in the Arab world, and possibly elsewhere. Since this cloud on the horizon might appear to be no bigger than the proverbial man's hand, and the growing strength of Iran can properly be regarded at this time as a force for stability in the Persian Gulf and peripheral areas of the Arabian peninsula, it may be argued by some that it is mere carping to make such a suggestion. However, events can often move faster than surface indications would suggest when power relationships in an area of such strategic importance as the Persian Gulf are in such great—and growing—imbalance as they are today.

Perhaps one way of viewing the Gulf area is to regard it as an arena of at least five interacting dynamics, some of which are better known than others. Well known and often noted, for example, is the weakness, and potential instability, of the Arab states, particularly the mini-states, touching the Gulf, following the withdrawal of British power. Possibly less well known but coming into growing recognition every day is the increasing dependence of several countries of the world, including India, on oil from Gulf countries.

The other three dynamics, and this could be of key significance, are centered on Iran and probably still are not so well appreciated by much of the world. These are the growing power position of Iran, vis-à-vis the other Gulf states, especially on the military side, as Iran embarks on a massive military buildup; the vaulting ambition and powerful sense of mission of the Shah for himself and for Iran; and the often ill-concealed sense of impatience and superiority that the Shah and Iranians generally feel towards the Arabs. The other side of this coin is that Arabs tend to dislike Iranians and to be fearful of Iranian power. Not to labor the point, Iran's already dominant power position in the Gulf is fated to grow to overwhelming proportions in the coming years including, particularly, its military superiority. Thus we have a situation in which the Shah—enormously ambitious, determined and shrewd, but also the victim of certain phobias growing out of his own family background and out of the history of the Persian monarchy it-

self—perceives that Iran must militarily dominate the Persian Gulf in order to assure the continued flow of Iran's oil, on the income from which are based all the Shah's hopes of bringing Iran into the era of the "Greater Civilization."

Being not a little self-centered and egotistical, the Shah does not perhaps perceive with equal clarity that certain countries—Iraq and India, for example—will be uneasy with a situation in which the Shah has in his hands the military capability both to interdict the movement of Iraqi oil exports and Indian imports from the Gulf. For these two countries are almost as dependent as Iran on the uninterrupted flow of oil in the Persian Gulf and relations between Iran on the one hand and India and Iraq, particularly Iraq, on the other, are already under some strain. In these circumstances, it would not be difficult to envisage Iranian-Indian rivalry increasing as Iranian military power waxes, with the Shah's phobia about finding himself "surrounded" being pressed on us more insistently than before. A possibility that comes to mind is that India will work to strengthen its presence in the Gulf, through increased technical assistance to the Arab states therein and perhaps through stepped up military training aid to Iraq, in an effort to counter-balance, with the weak Arab states, the power of Iran. Thus, it is possible to envisage a situation in which the great powers would have avoided rivalry in the Gulf only to see the regional powers engage in this activity, with possible complications for our diplomacy the result.

A more likely scenario in which Iranian-American divergencies could occur involves the Arab states across the Gulf. The exact outlines of a development that might create problems for us are hard to foresee, especially in view of the constructive role Iran is presently playing in assisting militarily and otherwise both in the Sultanate of Oman and North Yemen. However, subversive movements, encouraged among others by Baathist Iraq, are already present in Oman and could take root and spread in the United Arab Emirates, or even in Saudi Arabia; the Shah is quick (often too quick, in our view) to perceive developments affecting the Gulf as constituting a threat to Iran; and his military capability for intervening will be increasingly overwhelming. Thus it is possible to imagine circumstances in which Iran would feel compelled to intervene militarily to protect its own interests, as it perceived them, but which would be seen by the Arab states, including especially Iraq, as constituting Iranian aggression. In such a situation, Iranian and Arab nationalisms could find themselves in open conflict, with the United States in an extremely awkward posture in view of our expected growing dependence on Arab oil in this decade.

In conjuring up the foregoing ghost, we are not saying that it is likely to happen. Nor do we intend to imply that situations affecting the Gulf might not conceivably arise in the coming years in which we

would actually welcome the application of Iranian military power. In sum, what we are saying is that the Gulf is an area of growing power imbalances, that Iran will be increasingly able to be the prime mover and shaker of events therein and that the leader of Iran is determined to so dominate events in the Gulf that they move in directions which will enhance Iranian safety, as viewed by the Shah. Happily for us, the Shah will pay greater heed to our advice than to that of any other power, but we must not forget that he is determined to be his own man and will be pushing Iran's own interests as he sees them.

Having said this, the Shah and Iran remain by all odds our best hope among the countries of the area to play a responsible role in the Gulf of helping to assure peace and stability in an area of already great and growing strategic interest to the US. Given our increasing dependence on Gulf oil for our energy requirements, the stakes in our relations with Iran are high. While we cannot overlook the possibility that problems of Iranian-Arab relations could complicate our relations with the Arabs—and at a time of increasing American dependence on Arab oil—we have confidence that the Shah's basic caution and good sense can be relied upon.

Farland

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## 2. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>

Washington, January 19, 1973.

### SUBJECT

Information Items

[Omitted here is material unrelated to Iran.]

*Shah's Views:* General Burchinal (Deputy CINCEUR) recently had a good talk with the Shah, the highlights of which were:

—They discussed Iran's present and future military requirements at some length. The main points that emerged were that the Shah

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 49, President's Daily Briefings, January 18–31, 1973. Top Secret; Sensitive. A stamped notation on the memorandum indicates the President saw it. The extract is based on USCINCEUR telegram 181330Z to the JCS, January 17. (Ibid., RG 59, Central Files 1970–73, DEF 12–5 IRAN)

clearly intends to develop a highly reactive mobile land force with helicopter fire support to handle border incursions in limited areas, while his air force uses the latest model U.S. aircraft to strike across borders. He is also intent on developing a capability to project the Iranian naval force into the greater Indian Ocean area.

—The Shah foresees a shift in strategic interest to the Middle East, where Iran will be the most powerful country. The U.S., he said, is better off to have two strong friends in the area, not just Israel, since there are certain limitations on Israel's usefulness to the U.S., which is not true of Iran.

—*The Shah stressed that he intended to make Iran a major Indian Ocean power.* This stems from his belief that the Soviets are moving through India, Aden, and Somalia to control the access to the vast energy resources of the Persian Gulf.

—The Shah observed that there was a strong leftist and socialist tide sweeping toward the Middle East from Japan, New Zealand, and Australia. He is particularly concerned about Pakistan and its ties with the PRC and feels that we should have appointed an ambassador to Pakistan before we did for India.

The most important new element in the Shah's thinking is his now apparently firm intention to play a much enlarged naval role in the Indian Ocean area—beyond what he seemed to be considering last May when you visited him. *To this end Iranian planning is moving ahead for a large three-service base at Chah Bahar in southern Iran*, and Iran will purchase two destroyers from the U.S. and two frigates from the UK over the next two years to add to the thirty ships it already has. The scheduled purchase of six P-3 aircraft will also give the Iranian Air Force a substantial reconnaissance and ASW capability over the Indian Ocean. Finally, Iran is providing military assistance to Oman on the opposite side of the mouth of the Persian Gulf and apparently has expressed an interest in port facilities and naval cooperation with Mauritius, South Africa, and Australia.

[Omitted here is material unrelated to Iran.]

### 3. Letter From the Shah of Iran to President Nixon<sup>1</sup>

Tehran, January 20, 1973.

Dear Mr. President:

I thank you for your message of 19th January<sup>2</sup> and I greatly appreciate the friendly concern which you have manifested with regard to the outcome of the negotiations which my government is conducting with the oil consortium. In order to elaborate on certain matters which you have raised I would like to point out that there is no comparison between Iran and the other countries of this region. First of all, our situation and conditions are different as we already own our resources according to the Oil Nationalization Law of 1951. Secondly, as you, Mr. President, are no doubt aware, my country is becoming a developed country and, moreover, the other states in this part of the world do not have our needs nor our possibilities. We also think that the oil companies had ample time to reach an agreement with us but they spent time doing otherwise. I am convinced that after the announcement of our policies which are the best guarantor of the secure flow of oil supplies through the companies good prices and discounts, there will still be time for the parties concerned to meet our legitimate rights and reasonable demands. I am fully aware of your many preoccupations at this time and the very heavy schedule you have at the moment, but I deemed it necessary to bring this matter to your attention. I am always grateful to you for your deep interest in Iran and its role in the stability of this vital region.<sup>3</sup>

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 755, Presidential Correspondence, Iran—M.R. Pahlavi, 1969–1974. No classification marking.

<sup>2</sup> In his letter to the Shah on the negotiations between Iran and the consortium, transmitted in telegram 11341 to Tehran, January 19, the President urged that “since a unilateral step which does not meet the legitimate interests of both sides could have serious consequences for the objectives which we are pursuing together, I do want to express the hope that you might defer any unilateral action until I can study the issue and put my considerations before you.” (Ibid.) For more information on the negotiations, see *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Documents 151 and 152.

<sup>3</sup> In telegram 416 from Tehran, January 22, Farland reported that Alam had con-voked him to discuss the Shah’s reply to the President. “With considerable coolness and complete absence usual pleasantries my meetings with him, Alam said that he felt President had had a one-sided briefing (from oil companies).” Downplaying the danger of leap-frogging, Alam announced that a straightforward buyer-seller oil relationship had become a point of principle to Iran. (National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973)



With warm regards and best wishes,  
Sincerely,

Mohammad Reza Pahlavi<sup>4</sup>

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<sup>4</sup> Printed from a copy with this typed signature.

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#### 4. Telephone Conversation Between President Nixon and Director of Central Intelligence Helms<sup>1</sup>

Washington, January 25, 1973, 6:18–6:22 p.m.

[Omitted here is discussion of when Helms would assume his position in Tehran.]

[6 lines not declassified]

[Nixon:] What I would like for you to do is this: have a talk with John [Ehrlichman] at your, next week sometime, would you?

Helms: Yes, sir.

Nixon: The Iranian oil thing is, as you know, is in a, apparently, one hell of a situation at the moment. Did you talk to Connally? Or you're going to?<sup>2</sup>

Helms: I'm going to. I wanted to get myself educated a little bit before I talk to him. I thought that made more sense.

Nixon: Fine. I would say the first man to talk to is John Ehrlichman.

Helms: Right.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, White House Tapes, Oval Office, Conversation 36–113. No classification marking. The editor transcribed the portion of the tape recording published here specifically for this volume. Helms was appointed Ambassador to Iran on February 8.

<sup>2</sup> In a December 29, 1972, letter, Nixon asked Helms to meet with Connally to discuss Connally's recent trip to Saudi Arabia and Algeria. He also asked Helms to make a "thorough study" of U.S. interests in the Middle East. The letter is printed in *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 149. When the President met with Helms on February 14, he asked Helms again to confer with Connally. "Helms responded that he had talked to him once and would do so again, and that he also had a first draft of the paper which the President had requested on the Persian Gulf." Later in the conversation, "the President asked that Helms look at Middle East problems not just in terms of his CIA background, but in a general sense and especially with respect to the oil problem." (Memorandum for the President's File by Scowcroft; National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973)

Nixon: And then Flanigan, who has made a study.<sup>3</sup> Read the whole thing.

Helms: Right.

Nixon: And what I want to do is, if you're not going till March, maybe we could find a way to expedite it so you could even take a trip—you could take a trip even now, couldn't you?

Helms: Oh, I could travel out there, certainly.

Nixon: Well, what we have—what I have in mind, I've talked to, and everybody here thinks it's a great idea, and I've just been talking to Henry about this. What I really have in mind is for you basically to be sort of the, without downgrading the other Ambassadors, the Ambassador in charge of that sort of area, you know what I mean?

Helms: Yes, sir.

Nixon: Particularly with [unclear]. So you could go down to those [Sheikdoms?] and these other places, and pull this thing together, and then give us the recommendation, you know? In charge of the area not only in charge of oil and so forth, but in terms of the stability of the governments, what we can do, frankly covertly and the rest, and so forth and so on. You see what I mean?

Helms: I've got it.

Nixon: I think a trip of that sort would be very worthwhile. Let me suggest this: You come in to, you have a talk with John Ehrlichman at the earliest possible time.

Helms: Right.

Nixon: Have a talk with—the Connally thing is a little sensitive because he represents some [unclear—clients?]. But on the other hand, you should talk with him.

Helms: Right.

Nixon: And then sometime next week, perhaps Wednesday or Thursday or so, maybe toward the end of the week because I'm going to be tied up the first of the week, we can, we'll try to go over the thing.<sup>4</sup>

Helms: All right, sir.

Nixon: But my view is that you ought to take a trip fairly soon. In other words, you know the Shah well, right?

Helms: Yes, sir.

Nixon: If you could do that, I don't think there's any problem with Farland. You better think about that. But if you think it's too sensitive to

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<sup>3</sup> See *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 153.

<sup>4</sup> They did not meet until February 14. See footnote 2 above.

go out there or anything like that. But you're still the Director of the CIA, right?

Helms: Yes, sir.

Nixon: Well that's—

Helms: Well, why don't I talk to these gentlemen and see what the score is.

Nixon: Right.

Helms: Maybe I can come up with a recommendation then.

Nixon: All right, fine. You talk and we'll work something out. Because I don't want—I'd like to get it, since you're going to be in charge of the thing, I'd like to get you in the deal now, frankly, before it blows.

Helms: Right, sir.

Nixon: Then when it blows we can blame you.

Helms: [Laughter]

Nixon: Yeah, you've been through that before.<sup>5</sup>

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<sup>5</sup> Helms submitted his report to Nixon on February 22. Noting the Shah's unrealistic view of Iran's capabilities, Helms wrote: "It will be essential, in the years immediately ahead, that the U.S. maintain a continuing estimate of (a) the threat to Iran and its neighbors, (b) the viability of a regional approach to common security and defense problems, (c) the viability of the Shah's plans for the rapid modernization and industrialization of Iran and (d) the viability of the Shah's defense program in terms of cost, the threat, the demonstrated abilities of the Iranian armed forces, the health of Iran's economy and whatever regional arrangements may be developing." (National Archives, Nixon Presidential Materials, White House Special Files, Staff Member and Office Files, President's Office Files, Box 20, President's Handwriting, February 16–28, 1973) Helms's report is printed in part in *Foreign Relations, 1969–1976*, volume XXXVI, Energy Crisis, 1969–1974, Document 166.

## 5. Memorandum From Acting Secretary of State Irwin to President Nixon<sup>1</sup>

Washington, January 26, 1973.

### SUBJECT

Iran's Negotiations with the Oil Companies: Where we Stand

The Shah's speech of January 23 announcing the two options for settlement he had presented to the oil companies<sup>2</sup> reduces his negotiating flexibility. It does not yet amount to a unilaterally imposed result. The announcement reflects the importance the Shah attaches to a uniquely Iranian solution at least as favorable and nationalistic as other recent oil arrangements.<sup>3</sup> It has connected the Shah's prestige with settlement along the lines of his options and he can no longer be expected to retreat from them entirely.

Nonetheless, we believe that reasonable prospects for a negotiated settlement remain. Substantial room for adjustment appears to exist within the frame and spirit of the options which could accommodate essential company interests while meeting the Shah's needs. Negotiation around his terms has not yet taken place.

The companies are now studying the Shah's proposals, and we understand their chief executives will meet on January 29 to agree on a joint position. They undoubtedly will let us know their position as soon as framed and almost certainly will renew their request for USG support.<sup>4</sup>

We have been keeping in touch with company officials. Our studies indicate the companies' legal position is not iron clad. The present Iranian agreement is quite unusual. Title to all oil and oper-

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, PET 6 IRAN. Secret. Drafted by Rouse and cleared by Miklos, Sisco, and Armstrong and in L/NEA and EB/ORF/FSE.

<sup>2</sup> In telegram 427 from Tehran, January 23, the Embassy reported that the Shah had announced the oil companies' options to the Iranian Congress of Free Men and Women. According to the Shah, the consortium could either continue operations under the current contract terms until 1979, after which the oil companies would lose preferential access, or return all responsibility for consortium oil operations to NIOC and receive long-term contracts at favorable prices. (Ibid., RG 59, Central Files 1970–73, PET 6 IRAN)

<sup>3</sup> In telegram 546 from Tehran, January 29, the Embassy noted that the "Shah's motives for his new position appear to be based on his misconception that companies capitulated to Yamani thus enhancing his image to point of danger to Shah's oil leadership position plus feeling that participation so established as Arab in world opinion that any form partnership with companies would appear to be following Arab lead." (Ibid.)

<sup>4</sup> Exxon Chairman L. Kenneth Jamieson met with Rogers on January 29 and asked for U.S. diplomatic intervention with Iran. See *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 157, footnote 2.

ating facilities is vested in Iran, and the companies' rights are essentially limited to contract expectations. The Shah has also raised questions of company failures to perform properly. The companies are anxious to reach a negotiated settlement and appear to recognize that reasonable concessions or a new approach may be in order. We have reason to hope that their response can bring the parties back to earnest negotiations.

I see no value in taking additional action vis-à-vis the Government of Iran before the companies have reached an agreed position. The Shah is not now planning new action but is waiting to hear from the companies. They plan to respond to him before February 15. When we consider next steps we will bear in mind the important interests we want to serve:

—That the property and contract rights of the American companies in Iran are respected in accordance with international law and our bilateral agreements.

—That the Iranian settlement disturbs the oil industry and other country agreements as little as possible.

—That our political, economic and security relations with Iran are not impaired.

—That our actions are in concert with those of Great Britain which is equally affected.

We will present specific recommendations for action as soon as we have had a chance to study the companies' position, which will be available next week. While we should move ahead promptly, time is not yet a crucial factor.

The Iranian Foreign Minister came in to see me yesterday as a courtesy. We discussed the oil situation and I took the opportunity to stress our concern with respect to the long-range oil picture in the Middle East and the need in both our countries for stability of oil supply.

**John N. Irwin II**

6. **Memorandum From Harold H. Saunders of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)**<sup>1</sup>

Washington, January 26, 1973.

SUBJECT

"Blue-suiters" for Iran

You will recall the President's promise to the Shah last May<sup>2</sup> to provide uniformed US military personnel ("blue-suiters") to work in training capacities with the Iranian military forces, principally the air force to help shorten the time needed to make new US-made aircraft operational.

Since then, our respective military have held extensive exchanges to identify the specific tasks the Iranian military felt had to be performed. They ended up with a list of about 900. This is over and above uniformed training teams already in Iran.

Secretary Laird, attempting to meet the Iranian need while coping with Congressional insistence that we reduce military personnel abroad, approved the following program: 500 uniformed personnel; 100 Defense Department civilian personnel; meeting the needs of the large helicopter program at Isfahan with civilian contract personnel (about 300) under the supervision of uniformed personnel. This last would suggest patterning the new Iranian helicopter training facility after ours, using civilian teachers under military supervision. The Defense Department people say that this package would cover all the positions they have discussed with the Iranian military.

There are two possible factors which will figure in the Shah's reaction:

—He does prefer uniformed to civilian contract personnel. He may question the inclusion of Defense and contract civilians. The question is whether Farland can have a straightforward conversation explaining our determination to be responsive and our problems and exploring with the Shah whether civilian contract people would not be acceptable in the one large helicopter training school if under uniformed supervision the way we do it here.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973. Secret. Sent for action. Concurred in by Richard Kennedy.

<sup>2</sup> For a list of Nixon's commitments to the Shah based on their May talks, see *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Document 205.

—The other factor is a more general one. You may recall that the Shah originally mentioned a figure of around 3000, including operational personnel like pilots to fly in Iranian squadrons. After the implications of this were discussed with him, he agreed that it would not be a good idea, either for Iran or for the US, to have US uniformed personnel in Iranian units. Since then, their military and ours have examined in detail the jobs to be done and have come up with the list which Secretary Laird approved. We do not know how close the Shah himself has been to the figures developed, so it is possible that our offer will initially seem to him on the low side even though it meets the requirements his military have identified.

The basic point is that we have a package which has been worked out with the Iranian military to cover the Shah's present military needs; the only innovation is introducing some civilians under military supervision. This is not to say he won't suggest some modifications or won't want more later. For the moment, this seems fully responsive, and a telegram has been sent to Farland asking him to present it to the Shah.<sup>3</sup> He should be able to do this in a way that would be positive, responsive and in the spirit of the President's general desire to be helpful.

Farland feels he can do this but has asked exactly how he should answer if the Shah asks whether this has the President's approval.<sup>4</sup> The attached State Department cable as revised by us, is intended to answer this question.

*Recommendations:*<sup>5</sup>

1. That you approve the telegram at Tab A.<sup>6</sup> Farland must see the Shah tomorrow before he leaves on vacation Sunday, so we should clear *today* if at all possible.

2. That you approve the back-channel message from you to Farland at Tab B.<sup>7</sup>

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<sup>3</sup> Telegram 11840 to Tehran, January 19. (National Archives, RG 59, Central Files 1970–73, DEF 19–9 US–IRAN)

<sup>4</sup> Farland conveyed his query in telegram 447 from Tehran, January 24. (Ibid.)

<sup>5</sup> Kissinger initialed approval of both recommendations.

<sup>6</sup> Attached but not printed. It was sent as telegram 16072 to Tehran, January 27, which informed the Embassy that the package for military technicians had the "approval of all appropriate elements of the USG including the White House" and met the Shah's personal requirements. (National Archives, Nixon Presidential Materials, NSC Files, Box 1295, Harold H. Saunders Files, Iran Military)

<sup>7</sup> Attached but not printed. Sent as backchannel message WH30201 to Tehran, January 26, in which Kissinger told Farland: "As we understand it from Defense, most of the jobs Iranians want done would be covered by proposed package." (Ibid., Box 425, Back-channel Files, 1973, Middle East and Africa) The Embassy reported in telegram 614 from Tehran, January 31, that the Shah approved the program and expressed understanding of U.S. difficulties and appreciation for its efforts. (Ibid., RG 59, Central Files 1970–73, DEF 19–9 US–IRAN)

7. **Memorandum From Samuel M. Hoskinson of the National Security Council Staff to the President's Deputy Assistant for National Security Affairs (Scowcroft)**<sup>1</sup>

Washington, February 2, 1973.

SUBJECT

Iranian Oil Situation

The following traces the evolution of the Iranian oil problem over the past year and delineates the more important implications of the present situation.

*Background: Last Summer's Agreement*

The story begins last spring when the Shah and the consortium of Western oil companies operating in Iran reached an agreement on a long term "package" settlement of their relationship.<sup>2</sup> The basic agreement was that the Shah would *extend the consortium's operating concession to 1994* and approve its construction of a new refinery in return for a substantial increase in crude oil production, the turning over to the National Iranian Oil Company (NIOC) of the consortium's old refinery in Iran, agreement to buy that refinery's output at an "advantageous" price and the tying of Iranian taxes on the consortium to foreign exchange expenditures.

From our perspective this was a favorable outcome. There were substantially *increased revenues for the Shah, the companies had secured a stable long-term relationship* and, of equal importance, *a responsible alternative to the "participation" approach being simultaneously pushed by the Arabs had been established*. With this in mind, the President sent the Shah a message commending the responsible way in which the negotiations had been carried out.<sup>3</sup>

During the course of the summer, while the technical finishing touches were being put on the agreement, the Shah became increasingly concerned about the continuing OPEC "*participation*" negotiations *led by the Saudis*. Finally, when the companies agreed to sell the Arabs a 25% participation in their operations now and 51% by 1982, the Shah reopened his negotiations with the consortium. The thrust of the consortium's approach was to sweeten the basic "package" settlement so

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 137, Country Files—Middle East, Iran Oil. Secret. Sent for information.

<sup>2</sup> For information on the agreement signed in June 1972, see *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 124.

<sup>3</sup> See *ibid.*, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 208.



that Iran would receive at least as much revenue as it would under a “participation” settlement. The Shah, motivated as much if not more by a strong desire to maintain his leadership position in the international oil world—turned down the consortium offer and demanded what amounts to complete participation (really nationalization) by 1979.

#### *Present Situation*

At this point, the Shah’s demands have narrowed to a single one. The consortium must sell to Iran all its assets and consortium–Iran relations will be governed by a sales contract with either (1) immediate effect, or (2) effect upon the expiration of the basic 1954 operating agreement in 1979.<sup>4</sup> More precisely:

—*Under Option 1*, the basic agreement would be set aside immediately and replaced by a long-term sales contract with the Consortium members under which the latter would have access to Iranian oil on a preferential basis. The contract could be for 20 to 25 years and would give Iran and the Consortium about the same revenues per barrel as those provided for in the participation agreements arrived at with other Persian Gulf states.

—*Under Option 2*, the basic 1954 agreement would continue in force until expiration near the end of 1979, but would be adjusted now to provide benefits to Iran equal to those under existing participation agreements. Should member companies take this option, benefits to Iran would accrue, retroactive to January 1, 1973. In October 1979 these arrangements would be replaced by a non-preferential sales contract under which consortium members would be on the same footing as all other prospective purchasers of Iranian oil.

In the sellers market likely to prevail for at least the next ten years, this non-preferential sales contract relationship is the one which appears to offer the most to a producing country and is presumably the one all producing countries have as their goal in disposing of crude not needed in any of their downstream operations at home or abroad. Under both these options increased producing country revenues under the participation agreements with the other Gulf states, which the Shah is demanding for Iran, will have an adverse effect on the US balance of payments, by reducing company profits unless the increased cost of crude is passed on to consumers (the overwhelming bulk of which are presently outside the United States), or by increasing the per barrel cost of crude to refiners, or both.

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<sup>4</sup> An August 5, 1954, statement by the Government of Iran and the representatives of the oil consortium describing the oil agreement is in the Department of State *Bulletin*, August 16, 1954, p. 232.

The relative advantages of these two options are detailed in the attached.<sup>5</sup>

There is one final important foreign policy element that should be noted. Because of the almost complete loss of confidence on both sides between the Shah and the consortium, there may be a tendency for the companies to band together and reduce their offtake in favor of what they may perceive to be more secure sources in the Arab world. If they do, the Shah will react sharply and because of our government's identification with the consortium position, we might rapidly move into a difficult period in our bilateral relations with Iran.

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<sup>5</sup> Attached but not printed is a report entitled "Implications of Iranian Demands," which outlined the effect of the Shah's two options on both the United States and the oil companies.

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## 8. Editorial Note

On February 2, 1973, the President's Assistant for National Security Affairs Henry Kissinger sent President Nixon a memorandum that includes an analysis of the Iranian oil issue. It reads: "*The Shah has told Ambassador Farland that his publicly announced decision to take over complete control and operation of oil production is his final and absolute last word, which will not be changed under any circumstances.*" After outlining the consortium's options, Kissinger continued: "Ambassador Farland is convinced that the Shah is a victim of poor advice from his advisers and that our (and the consortium's) arguments either are not getting through to the Shah or are being distorted. Moreover, he fears that because of the mutual loss of confidence between the Shah and the consortium, the companies will, in any event, cut back on their purchase of Iranian oil and compensate with Arab oil, thus drawing further sharp reaction from the Shah and possibly contributing to a general deterioration of our bilateral relations. *The Ambassador feels that prior to further negotiations, it would be useful to send a special emissary to try to renew the confidence necessary to make either option work and avoid possibly more serious problems in the future.* This proposal will be considered along with other possibilities now being studied before recommendations are prepared for you." (National Archives, Nixon Presidential Materials, NSC Files, Box 49, President's Daily Briefings, February 1–15, 1973)

In a February 7 memorandum to Secretary of State William Rogers, Ambassador-designate to Iran Richard Helms passed on similar infor-

mation regarding Iran's position on oil. According to the memorandum: "The Shah said that there was one point which he wished me [Helms], as Ambassador-designate, to understand very clearly: that he would not discuss his essential position on what would be done with Iran's oil with me or any other representative of the United States Government whose objective was to influence him to modify it. He said that this is not the proper role of government as has been recognized by the United Nations. The U.N. has also made clear that the way in which a nation handles and disposes of its natural resources is its business alone." When asked if his position was non-negotiable, "the Shah replied affirmatively, adding that he was entirely unable to understand why both the companies and the United States Government did not recognize that the arrangement which he offered was one which would fulfill the major United States objective of insuring a free and predictable flow of oil to the West at reasonable prices and at the same time relieve the oil companies of the need to make substantial investments in physical plant and exploration." Helms's memorandum to Rogers is printed in *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 162.

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## 9. Editorial Note

On February 22, 1973, *The New York Times* published an article entitled "Iran Will Buy \$2-Billion in U.S. Arms Over the Next Several Years," which set off an international reaction. Responding to the concerns of the Indian Government, for example, Assistant Secretary of State for Near Eastern and South Asian Affairs Joseph J. Sisco wrote in telegram 37015 to New Delhi, February 28, that "Iranian arms sales are part of continuing USG program and not, as suggested in press reports, new package." He noted that over the past 3 years Iranian orders totaled over \$2.5 billion, many placed after President Nixon's discussions with the Shah in May 1972. The Shah's primary motive, he concluded, was to improve Iran's defensive capability against the potential threats that he perceived to his country's integrity from the Soviets and others and to protect Iranian interests in the Indian Ocean. (National Archives, Nixon Presidential Materials, NSC Files, Box 1295, Harold H. Saunders Files, Iran Military)

In telegram 1384 from Tehran, March 5, the Embassy concurred in this explanation of the Shah's rationale and noted that it had received queries from the Soviet, British, and French Embassies regarding the

news reports. The queries reflected puzzlement “and speculation over what recent events may have prompted Shah to make this purchase, assumption being that \$2 billion purchase was new, sudden decision by Shah. In reply we have used same points set forth reftel [telegram 37015] and stressed that Iran’s military acquisition decisions are made by Shah and we are not rpt not party to them, but as appropriate we have urged restraint on Iranians.” The Embassy also noted that the Shah was paying for all that he acquired. (Ibid., Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973)

To pay for the arms build-up, the Iranian Government had turned to deficit spending. In a March 10 letter to John Rouse of the Office of Iranian Affairs, First Secretary of the Embassy Alexander Rattray wrote about the Iranian calendar year 1352 budget (March 21, 1972–March 20, 1973): “The GOI’s budget approach understates actual spending by some 7 per cent and effectively obfuscates the size of the deficit.” He added: “Please note the staggering size of scheduled debt repayments and the substantial military expenditures which have been buried in the development side of the new National Budget.” Hiding military expenditures in other categories “in my view, accounts for the substantial 1352 increase in ‘General’ expenditures and is probably in part responsible for the 38 per cent rise in social expenditures.” He concluded that the full impact of military spending on Iranian fiscal plans had yet to be fully calculated, and estimated that defense spending for the next plan period was likely to reach the \$16–18 billion range, requiring a third or more of all Iranian borrowings and revenues. (Ibid., RG 84, Tehran Embassy Files, Box 8, Iran, 1973, National Budget)

In a March 13 letter to Director of the Office of Iranian Affairs Jack C. Miklos, Deputy Chief of Mission of the Embassy L. Douglas Heck explained that while the leak of the Iranian arms build-up story did not bother the Shah, it encouraged “those in the society who are troubled about the Shah’s attitudes and the military hardware he is acquiring.” Due to considerable student unrest and anti-regime incidents, almost all of the universities were closed down, and he noted that “the students are mad because the Shah has billions for defense but not enough for education, as they see it.” (Ibid., RG 59, Central Files 1970–73, DEF 12–5 IRAN)

**10. Memorandum From Acting Secretary of State Rush to President Nixon<sup>1</sup>**

Washington, March 1, 1973.

**SUBJECT**

Shah of Iran and Oil Consortium Reach Agreement

Meetings in St. Moritz last week between the Shah and a negotiating team from the consortium of international oil companies in Iran produced agreement in principle on the general terms of a new long-term contractual relationship. The main points of this agreement, which will replace the 1954 agreement but retain many of its provisions,<sup>2</sup> are as follows:

—The Iranians will be owners and operators of assets and activities in the oil concession area. They will contract to sell oil to the consortium for a twenty year period beginning March 21, 1973.

—The consortium will form an Iranian-chartered company to produce, process, and transport Iranian oil under a service contract with the National Iranian Oil Company (NIOC). The programs and budget of this company will be subject to NIOC approval.

—The companies will purchase oil at the wellhead, on a cost plus fee basis designed to give Iran the financial equivalent of the participation agreement recently signed with Arab producers of the Persian Gulf.

—NIOC will be responsible for securing necessary investment funds, but the consortium will have the option to provide these funds as advance payment on oil purchases.

—NIOC will receive oil to market directly increasing from 200,000 barrels per day this year to 1.5 million barrels a day in 1981.

At first blush both sides seem to have achieved their principal objectives under the new settlement. The companies retain assured access to Iranian offtake, management initiative if not control, and investment rights in an overall formula which lends hope that participation agreements with Arab oil producers will not have to be renegotiated as a result of the Iranian agreement as the companies have feared. For his part, the Shah has achieved increased revenue and management con-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973. Confidential.

<sup>2</sup> See footnote 4, Document 7. Among other provisions, the 1954 agreement recognized the National Iranian Oil Company's ownership of oil land and assets while granting control of oil field and refinery operation to the consortium.

trol and direct access to oil in a format which ends the concessionary agreement of 1954 in favor of a sales contract such as he publicly had insisted upon. The Shah's overriding political objectives have been met. He can now proclaim that Iran is again second to none in protecting its sovereign interests and attaining its national aspirations.<sup>3</sup>

Some difficult issues, such as the means and timing of periodic price renegotiations, appear to remain unresolved. Nevertheless, with the outlines of the new arrangement agreed to, prospects for a fully satisfactory settlement are promising.<sup>4</sup> The need for USG intervention seems to have passed.

**Kenneth Rush**

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<sup>3</sup> Telegram 1829 from Tehran, March 21, reported that the Iranian Government and media were treating the takeover that day of the management and operation of the oil industry as an Iranian victory over the consortium and an Iranian New Year's gift from the Shah to the people. Helms observed that "Iranian crowing might create pressure among Arab oil producers for further revision of their arrangements with oil companies" but expected that the Iranian campaign would subside after March 21. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

<sup>4</sup> In telegram 3612 from Tehran, May 26, the Embassy reported that the Iranian Government had signed an additional agreement with the consortium on May 24 and that "Iran received some advantages over Arabs but these not repeat not expected provoke new round of leapfrogging from Arab producers." (Ibid., Nixon Presidential Materials, NSC Files, Box 1295, Harold H. Saunders Files, Iran, 5/16/73–12/31/73) A detailed summary of the agreement is in INR Report RECS-20, "Iran: Pace-Setter in Oil," September 19. (Ibid., RG 59, Central Files 1970–73, PET 6 IRAN)

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## 11. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, March 19, 1973, 0438Z.

1726. Subj: Continuing Widespread Student Unrest. Ref: Tehran 1353.<sup>2</sup>

*Summary:* During last three week period student unrest and demonstrations, sometimes accompanied by violence on part of students

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential.

<sup>2</sup> In telegram 1353 from Tehran, March 3, the Embassy reported that several students were arrested during demonstrations at local universities, reportedly for protesting Iranian purchases of U.S. arms. (Ibid., Central Files 1970–73, POL 13–2 IRAN)

and police, has spread across Iran and virtually every major college, university or technical training school in the country is affected. Student motives are difficult to define but throughout their protests runs an anti-regime theme which often focuses on high tuition costs and is sometimes expressed in terms of attacks on GOI expenditures, particularly for US weapons. *End summary.*

1. Beginnings of current period of student unrest<sup>3</sup> can be found as long ago as January 21 celebrations of tenth anniversary of White Revolution.<sup>4</sup> Campus demonstrations at various universities continued from that time in off again–on again fashion until about three weeks ago when student dissident activities became more widespread and have finally resulted in the closure, to one degree or another, of nearly all of Iran's major centers of higher education.

2. Most recent series of demonstrations seem to have begun at Jondi Shapour University in Ahwaz but riots have also taken place at Karaj Training College, Pahlavi University in Shiraz, Aryamehr University in Isfahan and its related campus in Tehran, National University in Tehran (where college cafeteria was reportedly wrecked), Tehran University (twice) and Tabriz University among others.

3. Upon learning that riot was in progress on Tehran University campus, EmbOff drove to scene to observe but found that three truckloads of riot police wearing plastic face shields and carrying hardwood truncheons had put an end to incident. Campus was practically deserted with most gates locked and campus police bolstered by riot police were carefully controlling entry and exit. It later developed that students registering for new term at science faculty were protesting reported arrest on previous day of 30 students at Aryamehr Tehran campus who had been demonstrating reputedly to mark anniversary of Siakal incident. (1971 attack by guerilla group on isolated Gendar-

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<sup>3</sup> In a February 28 letter to Escudero, Crocker wrote from Khorramshahr that the violence at Jondi Shahpur University started when special police killed several student demonstrators, either for protesting SAVAK surveillance of a Vice Chancellor who refused to give an anniversary speech, or for opposing the use of university resources for White Revolution propaganda. Protests at other universities were either ongoing or followed quickly. (Ibid., NEA/IRN Files: Lot 76D169, Box 9, 1973, POL 1)

<sup>4</sup> In a February 3 letter to Escudero, Charles Mast, Consul in Tabriz, wrote that the anniversary festivities were purely for the elite, marked by "an almost total lack of socio-political ideology." Mast concluded that the "Imperial Roman Circus" was ignored by most Iranians, particularly the bazaari and religious, who were focused on the New Year's and Moharram celebrations. (Ibid.) Carl Clement, Consul in Khorramshahr, disagreed in a February 7 letter to Escudero: the festivities were not entirely government-organized, and the people "are not fools, and they realized that the important thing was not the show, not the celebration, but rather the real changes that they symbolized." In a surprising number of cases, Clement argued, people sincerely paid homage to the Shah's leadership. (Ibid.)

mérie post in Gilan Province).<sup>5</sup> Dr. (FNU) Zirakhzadeh, Director of Research at the Ministry of Science and Higher Education, later confirmed that additional arrests were made at Tehran University although he could not supply figures.

4. Largest and bloodiest encounter to date took place in Tabriz where students began demonstration over tuition costs and other local issues. Police intervened and confrontation escalated into three-day melee with reports of over 200 students injured, some seriously. Figures for students killed range from three to eleven but precise number of casualties is impossible to confirm. Police and SAVAK eventually raided all campus dormitories, including those of girls, drove all students from campus and closed the university down for remainder of term. Tabriz Consulate will report on this incident in detail.

5. Motivations for present spate of unrest are not entirely clear. This is due in part to the efficiency of the security forces who tend to break up demonstrations before motives and goals are made known; in part to the tendency of students to disguise dissatisfaction over political issues with a local grievance of one kind or another in order to avoid more severe punishment if caught; and to lack of publicity—no word of the various disturbances has appeared in the local papers.

Some riots have evidently been sparked by heavy-handed police action against other demonstrators as in the instance noted in para 3 above and in the case of a riot which, according to Isfahan IAS Director Lonnie Del Rae, took place at Aryamehr University over a rumor (apparently false) that seven students were arrested at Tehran University by SAVAK, taken to Kermanshah and shot. However, a definite anti-Shah theme is discernible throughout the student protests. Occasionally the monarch himself has been criticized, sometimes in vitriolic terms, and at other times his programs and policies are castigated. Such discontents are often channeled into criticism of high tuitions at Iranian colleges and universities, a strategem which, according to Dr. Parviz Asadi of National University, is a cover for dissatisfaction with expenditures on US arms and other GOI fiscal policies as unveiled by Prime Minister Hoveyda in his new ten billion dollar budget.

*Comment:* Security authorities have maintained control of the student situation but only by closing down Iran's system of higher education. However, the widespread and continuing nature of these demonstrations is yet another indication of the depth of anti-regime feeling

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<sup>5</sup> On February 8, 1971, a large band of student dissidents known as the Iranian Liberation Organization, operating in the mountains, attacked a police station in the village of Siahkal in the northern province of Gilan. Government forces subsequently broke up the group, and several members were executed. See *Foreign Relations, 1969–1976*, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 126.



among the students, particularly considering that protesting students not only run the risk of physical injury in confrontations with police but they could also be expelled, jailed or drafted into the armed forces.

Helms

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**12. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, April 7, 1973, 1000Z.

2166. Subject: Audience with Shah.

*Summary:* After presenting credentials to Shah April 5<sup>2</sup> we had private conversation on developments in area lasting about hour. Topics raised by Shah included recent Kosygin visit to Iran, Iraq–Iran relations, Saudi Arabia, Kuwait and its recent troubles with Iraq, oil negotiations, family planning. Shah concluded there were no problems between our countries to raise. Action requested: Any information Department or Jidda can provide on Saudi intentions and extent of support for Kuwait in its current difficulties with Iraq (see para five below). *End summary.*

1. After presentation of credentials on 5 April, I had private conversation with Shah, Foreign Minister Khalatbari being only other person present.

2. After brief amenities, Shah said his Foreign Minister would brief me on Kosygin's visit to Iran in mid-March.<sup>3</sup> Shah then said he wanted to make a couple of points about visit: "I told Kosygin that I would not stand for any subversion in Persian Gulf and that I would not stand for disintegration of what is left of Pakistan. On this latter Kosygin agreed

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1294, Harold H. Saunders Files, Iran, 1/1/73–5/15/73. Secret; Exdis. Repeated to Moscow and Jidda.

<sup>2</sup> Nixon introduced Helms with a March 7 letter, assuring the Shah that Helms knew of the importance the President attached to U.S. relations with Iran, to the Shah's leadership, and to the Iranian role in regional and world affairs. (Ibid., Box 755, Presidential Correspondence, Iran, M.R. Pahlavi, 1969–1974)

<sup>3</sup> In backchannel message 62 to Kissinger, April 6, Helms transmitted the Shah's report that Kosygin had offered him MIG–25s and T–65s, which he had declined. In the Shah's judgment, "the significance of the offer is that if he [Kosygin] could sell MIG–23's to Iran, then he would have no difficulty introducing them into the Arab states of the region. I can only assume that this is what the Soviets want to do." (Ibid., Box 425, Backchannel Files, 1973, Middle East/Africa)

that Pakistan as presently constituted should remain a political entity." As for Gulf area, Shah noted that Kosygin suggested he talk with the people "down there." Shah said his reaction to this was "Who do I talk to? I cannot talk to the PFLOAG." Shah then stated that he and Kosygin discussed Iraq. Kosygin asked him why he was building up his military forces. According to Shah, his rejoinder was "You are doing the same thing in Iraq." Shah said he pointed out to Kosygin that he could "crush" Iraq any time he wanted to but that a strong Iran would be a responsible power not an adventurous one. During course of talks with Kosygin, Shah had feeling that Soviet Union was most anxious for good relations to be developed between Iraq and Iran. Shah believes that Soviet interest in this development is due to their recognition that this would bring about a stronger Iraq since Iran would be stopped from playing its Kurdish card. Shah took attitude he would be glad to talk with Iraq and will be ready to work things out with Iraq if that country were prepared to meet his terms. It is clear that Shah has no rpt no intention of making deal with any government like present Ba'athist one in Baghdad. He said he is prepared to put up with nuisance which Iraq causes him (i.e., border raids, killing of border guards, etc.) since these things affect him little. At this juncture Shah repeated that Khalatbari would fill me in on other aspects of Kosygin visit.<sup>4</sup>

3. This suddenly seemed to remind Shah of that part of Soviet/Iranian communiqué which referred to Asian collective security system. He said that this matter had first come up in passing during his trip to Moscow last fall and that it had not been mentioned by Kosygin during recent visit but had been put forward by Russian side during drafting of communiqué. He stated that he did not see how he could object to the language since his only interest was to insure that Communist China participated in any such Asian security system. At this juncture Khalatbari pointed out that language of communiqué did not specifically mention Communist China. Shah bridled and stated "If communiqué said all nations of Asia, it obviously includes Communist China." It seems clear that Shah has become a bit touchy and defensive about inclusion of this item in communiqué.

4. Shah then mentioned his concern about stability of Saudi Arabia, concern which I understand he has voiced many times in past.

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<sup>4</sup> The Embassy conveyed the substance of the April 11 Khalatbari–Helms conversation in telegram 2367 from Tehran, April 12. (Ibid., RG 59, Central Foreign Policy Files) In an April 13 memorandum to Miklos and Rouse, Michaud speculated that "the Shah was not as tough with Kosygin as he would have us believe," adding: "I suggest that we take the Shah's statements on Iran's attitude toward the Soviet Union with a considerable grain of salt. He continues to make anti-Soviet noises to us to reassure us at the same time that he continues to improve relations with the USSR." (Ibid., NEA/IRN Files: Lot 76D169, Box 8, 1973, POL)

He clearly feels that King Faisal is inflexible and that cooperative relations between Saudi Arabia and Iran are not possible under these circumstances. He insists that King Faisal is supporting Sheikh of Ras al-Khaimir in making difficulties over Abu Musa.<sup>5</sup> Shah reiterated his oft-repeated contention that Abu Musa was stolen from Iran by British. ("Even on Russian charts Iran was written in next to that island.") Shah then mentioned King Faisal's unwillingness to permit designation of strong successor or to bring about social reforms which are required in his country. Shah indicated he thought at one time that Prince Fahd might emerge as strong figure but he doubts now that this is coming to pass. He mused that Saudi Arabia is "really not a country but only a couple of cities" and that its lack of social progress makes it ripe for some type of radical takeover.

5. Shah then touched on difficulties between Kuwait and Iraq. In response to a query, he admitted that he had encouraged King Hussein to volunteer troops to Kuwait in case of hostility but indicated his doubt that Jordanian troops could fight effectively that far from Amman. He also indicated he had encouraged King Faisal to support Kuwait but had begun to wonder in recent days whether there were not signs that Saudi Arabia was cooling in its support for Kuwaiti position. He said he would appreciate any information we could provide indicating whether or not this [garble—was the?] case.

6. In discussing change in arrangements with oil consortium to a sales-purchase agreement, Shah stated that US would obviously benefit from additional revenues which Iran would acquire. He said "Most of this money will obviously go back to the United States." [garble] with recent dollar devaluation American heavy equipment "which is best in world" would again become competitive and Iran would undoubtedly buy it from United States rather than Japan. He then branched off into a disquisition on merits of sales-purchase arrangement as against joint ownership, i.e., participation arrangements with Saudi Arabia and other OPEC countries. One of his points, which did not come through too clearly, was that joint ownership would be hazard to United States if any of these countries, e.g., Saudi Arabia, were to get a radical Arab-type government. He emphasized again his view that Iran was far-sighted in taking over total control of her natural resources since her people could never again say that foreigners owned any part of them. He reminisced about offer he had made to United States ten years ago to buy oil from Iran and store it in salt caves or

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<sup>5</sup> Iran's occupation of the Gulf island of Abu Musa was contested by the Sheikh of Ras al-Khaimah and other Arab leaders. For information on the Gulf islands dispute, see *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 68 and 153.

wherever else we wanted to. United States turned him down, he pointed out, and since he was head of a weak country, he saw no point in pursuing matter. He commented with a smile, "I will never make you that offer again."

7. The Shah then turned to economic development of Iran and his concern to see to it that its population does not outstrip its growth possibilities. He stated "I intend to hold eventual population growth to 50 million. We should then be able to have 50 million happy and prosperous people." He indicated his birth control program was working and interestingly enough he had had "not one whisper of complaint from Mullahs about it." He then veered off to discussion of agriculture and benefits being derived from new systems of irrigation. He indicated his determination to stop grazing of nomadic tribes across countryside, pointing out that it is destructive and actually counterproductive. He obviously wants to force nomads into stabling their cattle and goats so that individual animals can be fattened to a degree which has never before been possible in this country. He quoted figures to illustrate that nomadic cattle and goats remain skinny and far below their potential as food animals.

8. The Shah indicated that he would be discussing his Air Force with General Ryan next week and situation in Middle East with Secretary Rush and Assistant Secretary Sisco during their visit here later this month.<sup>6</sup> At end of audience he looked up quite seriously and said "I really can think of no problems between our countries that I need to raise with you."

9. As an addendum would like to point out that John McCone's testimony before Congress on ITT–Chile affair obviously jarred Shah.<sup>7</sup> He is clearly becoming convinced that United States Government seems incapable of guarding its secrets. There no need for me to develop this theme as he did, but it behooves us to be scrupulously careful about information and views which Shah shares with United States Government.

**Helms**

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<sup>6</sup> Rush and Sisco visited Tehran for the NEA Chiefs of Mission Conference April 23–24. See Document 14. The report of the conference is in the National Archives, RG 59, Central Files 1970–73, ORG 3–2 IRAN.

<sup>7</sup> Both Houses of Congress were investigating charges against the International Telephone and Telegraph Company, including the allegation that it had attempted to block the 1970 election of Chilean President Salvador Allende in cooperation with the U.S. Government.

**13. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, April 26, 1973.

**SUBJECT**

The Shah on Sadat's Situation

Ambassador Helms has sent through our private channel a brief report on his chat with the Shah after he presented credentials April 5.<sup>2</sup> In part of that conversation, the Shah asked him to inform you that Egyptian Foreign Minister Zayyat during a recent visit to Tehran asked the Shah to urge you to arrange some kind of settlement between Egypt and Israel. According to the Shah, Zayyat made these points:

—Egypt will accept the Rogers Plan.<sup>3</sup> [*Comment: This is not new.*]

—Sadat is in a precarious domestic situation; new leaders might take over the Egyptian army at almost any time. [*Comment: When the Shah pressed, Zayyat was vague about the exact source of the threat. Nevertheless the Shah was struck by Zayyat's pleading tone.*]

The Shah sympathizes with Egypt's plight, although he realizes that "if Egypt can ever reassert herself, she will go right back to trying to organize the leadership of the Arab world."

The Shah hinted that if we wanted his help as a go-between—he also has a relationship with Mrs. Meir—he could be persuaded.

The Shah said he sensed in Zayyat's attitude almost irresistible domestic pressure in Egypt to resume some type of hostilities against Israel. With a large army on active duty plus the costs of maintaining it, the Egyptian leadership is feeling increasingly impelled to "do something." The Shah advised emphatically against trying to cross the Canal, although he did not argue strongly against some kind of demonstration.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973. Secret. Sent for information. A stamped notation on the memorandum indicates the President saw it. All brackets are in the original.

<sup>2</sup> Helms sent the report in backchannel message 61 to Kissinger, April 6. (*Ibid.*, Box 425, Backchannel Files, 1973, Middle East/Africa) See also Document 12.

<sup>3</sup> On December 9, 1969, Secretary of State Rogers outlined what became known as the Rogers Plan for Arab-Israeli peace in an address before the 1969 Galaxy Conference on Adult Education. Among its provisions, the plan called for a peace agreement between the parties, the establishment of demilitarized zones, and Israeli withdrawal from Arab territories occupied in the 1967 war. The text of Rogers's address is in the Department of State *Bulletin*, January 5, 1970, pp. 7–11.

Once again, it is difficult to distinguish the degree of genuine pressure on Sadat from the degree of showmanship put on for our benefit. We are now getting this same message through a number of side channels. At the very least, this is a well orchestrated campaign. There seems little question that Sadat is disappointed that he did not in his view improve his position through Ismail's visit, but he also seems to recognize the disadvantages of military action.

We shall keep in mind the thought of a possible role for the Shah.

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**14. Telegram From the Deputy Secretary of State (Rush) to the Department of State<sup>1</sup>**

Geneva, April 27, 1973, 1356Z.

Depto 95/1942. Subject: Conversation with Shah.

1. Deputy Secretary accompanied by Sisco and Helms had ninety-minute audience with Shah, who was in particularly good form as he, in an expansive mood, articulated well-integrated and balanced tour d'horizon of current developments on world scene and in his own region. This preceded by lengthy and impressive exposition by Shah of internal Iranian progress. Throughout Shah made frequent references to his high regard for President Nixon personally and to his policies. Secretary Rush lauded Iran's efforts and at invitation of Shah outlined in some detail President Nixon's efforts to move away from era of confrontation to era of negotiation. Secretary Rush underscored warm and friendly relations which existed between Iran and US, our reliance on Iran as major element of stability in the Persian Gulf area, our continuing hope Shah will play leading role in developing broad regional cooperation among nations of the area, and our intention to continue to enhance Shah's strength in order to deter possible Soviet designs and assure that any discussions and negotiations in the future will be from a position of strength.

2. After normal amenities and photographs, Shah spoke at some length on internal developments. He pointed out with obvious pride to 14.4 GNP growth last year and developments in both industry and agriculture. He touched on projected increases of steel looking to a goal of 15 million tons within the next 10 years, focusing on the province of

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, ORG 7 D. Secret; Priority; Exdis.

Khuzestan. He is convinced that in the next decade modern technology will bring Iran to the level of advanced European countries, that the application of new irrigation methods which conserve water and the scientific use of fertilizers will produce double and triple crops. He focused in particular on the extraordinary production of alfalfa, sugar cane, and other farm products resulting from a happy combination of sun-ray angles and adequate water supply resulting from dam construction in recent years. He stressed that development of infrastructure will provide Iran with the means and institutions to help assure its stability. He is organizing local village councils along with labor associations to build democracy from the grassroot. Throughout, he stressed his own personal involvement and his hope that he will live at least another ten years to see his present goals achieved. He stressed his dedication to developing a modern Iran based on an ethic of hard work, meaningful rewards for work done in a society based on differences in capacities of individuals. He sees the two year compulsory military service as an essential training to inculcate principles of discipline in his people. He pointed up the "uniqueness" of the Iranian effort, taking the best from a variety of systems, citing for example that the collectivization of agriculture works in Iran (not in the USSR) because leadership motivates hardworking Iranians living in a climate devoid of the oppression characteristic of the Communist regime.

3. From this the Shah switched into a discussion of Soviet intentions in the area, identifying Iraq and India as two countries with which the Soviet Union has treaties of friendship and which could provide direct avenues in the traditional Russian thrust for access to the Persian Gulf and Indian Ocean. In this context, the Shah spoke of his frank talks with Kosygin during visit last month. The Shah reported he told "Kosygin that I could not stand for subversion in the Persian Gulf and that I could not stand for the disintegration of Pakistan." He pointed out that the Persian Gulf is his life-line and that it must remain free for the uninterrupted passage of his ships and those of the littoral states. The Shah explained that the breakup of Pakistan could well tempt the Soviets into some deal with Afghanistan which would permit a direct thrust to the Indian Ocean. He stated that trouble in Pakistan would lead to a "Vietnam" near Russian borders, a development which Kosygin conceded the Soviets would not want to see. The Shah also emphasized his concern that there be no efforts in Baluchistan or Pushtunistan which could lead to their becoming separate entities.<sup>2</sup> As for Iraq, the Shah

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<sup>2</sup> The Baluchis and Pushtuns of Pakistan's frontier regions both had separatist factions which demanded independence or, in the latter case, union with the Pushtuns of Afghanistan. Under the rule of Mohammed Daoud, Afghanistan contested the existing Pakistan-Afghanistan border for denying self-determination to Pakistani Pushtuns and

stated that he would react positively to Iraqi peaceful overtures but then he would insist on a total end of Iraqi incursions across the Iranian border and other evidences of hostility before he would make any settlement which deprived him of his Kurdish card. He indicated that there had been some feelers from Iraq in recent days but did not become specific as to the form they took. At this point, the Shah spoke of India, its sanctimonious attitude toward the outside world, and his belief that this country employs a double standard in judging its actions as against those of other countries.

4. Deputy Secretary Rush lauded Shah's internal efforts stressing that Iran's military strength as well as its internal strength were a major element of stability in the Gulf. In some detail, he commented on various aspects of the internal developments described by the Shah, drawing various analogies to our experiences in agriculture. After reiterating the warm personal and official relations that exist between President and Shah, Rush outlined specifics of President's policies in opening dialogue with Communist China, concrete agreements with Soviet Union, moves toward détente and the positive impact of these moves on the Persian Gulf and Arabian Peninsula area.<sup>3</sup> We have more to gain than the Russians from these moves, Rush said. Deputy Secretary made clear our assessment parallels in very large measure that of the Shah's on the significance of worldwide and regional developments. Shah was much interested in rundown which Secretary Rush gave of trip to the Subcontinent, the Simla process, the recent India–Bangladesh proposals, Mrs. Gandhi's current outlook, our intention to maintain strong bond of friendship with Pakistan and Iran while trying to improve, if possible, our relations with India. Rush assured Shah that US would view with concern any move which could threaten the political independence and territorial integrity of Pakistan. He stressed Iran must be strong. Secretary Rush agreed with Shah's efforts to try to improve relations with all of its neighbors, including Iraq since Iran would be doing so from a position of strength.

5. In response to a question from Secretary Rush about Saudi Arabia, the Shah replied that his relations with King Faisal personally

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also supported the insurrection of the Pakistani Baluchis, which threatened to spread to Iran's Baluchi population.

<sup>3</sup> Rush and Sisco met on April 24 with Hoveyda, who stated that Iran welcomed détente but feared that it might release Soviet energies for the Middle East. Hoveyda stated: "As for this area, Iran is far too vital to United States' interest for the U.S. to make any deals behind Iran's back. At the same time Iran cannot expect the U.S. to come to its assistance and Iran must stand on its own feet. This costs a lot but there is no alternative. Pakistan thought it could rely on its membership in CENTO and SEATO and on its special relationship with the U.S. to help ensure its security. However, look what happened in 1965 and 1971. Pakistan stood alone and lost." (National Archives, RG 59, Central Files 1970–73, ORG 7 D)



were good and that he regarded him “almost as a brother.” On the other hand, he pointed out the Saudis were difficult to make ongoing arrangements with and he realized more work would have to be done to make a reality out of Iranian-Saudi collaboration. Turning to Sheikh Yamani’s intimation in Washington that Saudi Arabia may be more disposed than in the past to use oil as a political weapon in bringing about a settlement of the Arab-Israeli conflict, the Shah said that he could conceive that a beginning to improve the “political atmosphere” might be based on the Rogers Plan. He stated that when Egyptian Foreign Minister Zayyat visited Iran in March, he told the Shah, “Egypt will accept the Rogers Plan.” If negotiations in terms of Res 242<sup>4</sup> were not feasible under Jarring, perhaps they could be put in the Four Power context. Since the Four Powers divided three to one against the U.S., the Shah stated, perhaps the forum could be expanded by the addition of certain littoral states of the Mediterranean, such as Italy, Greece, Spain, etc. In any event, the Shah emphasized something should be done to ease the situation between Israel and the Arabs if for no other reason than to keep President Sadat from embarking on some “suicidal” military venture.

6. At this juncture in the audience, the Shah switched to the current oil negotiations between Iran and the consortium. He expressed the hope that these negotiations could be promptly concluded since in his opinion the consortium has nothing to gain by prolonging them. He stated that he had made up his mind not to push up the price of crude oil beyond what he felt was fair, i.e., we wanted adjustment made to compensate for the dollar devaluation, and he wants to obtain revenues comparable with those which will go to the Arab OPEC states as a result of the participation agreements. In explaining his interest in controlling the rise in price of crude oil, he pointed out that an excessive rise would cause increases in the price of goods and commodities in Europe and the U.S. which Iran had to buy and import. Such an increase in these prices he did not feel would be to Iran’s advantage at this juncture. The Shah also indicated that he was against leapfrogging and did not want to see it occur.

7. The Shah pointed out that Iran has recognized most of the Communist countries with the notable exception of North Vietnam. He said the North Vietnamese had not reacted to his overture and that as a result it will be a long time before there would be an opening of diplomatic relations.

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<sup>4</sup> UN Security Council Resolution 242, adopted November 22, 1967, called for Israeli withdrawal from territories occupied during the 1967 war and “acknowledgement of the sovereignty, territorial integrity, and political independence of every state in the area.”

8. The Shah and Secretary Rush had an exchange about Iranian procurement of American aircraft during which the Shah presented his well-known views about the development of his Air Force. He reiterated his desire to have the new Chief of Staff of the U.S. Air Force come to Iran at the beginning of his term of office rather than at the end as General Ryan had done. The Shah said, "I want to start right off with the new man so that we can do joint planning together during his tenure." Rush agreed and discussed with the Shah the role of the helicopter in a close support tactical capacity.<sup>5</sup>

10. Picking up the theme of worldwide developments, Secretary Rush gave a detailed explanation of the U.S. position on MBFR, CSCE, and the SALT negotiations. With a view to assuring the Shah that he could continue to rely on us in the future, Deputy Secretary Rush outlined in detail our defense posture, our plans to go ahead on the Trident and B-1. He explained that the disparity in the number of ICBMs and LCBMs in the SALT agreement was more than compensated by our qualitative advantages derived from MIRVing our missiles, our B-52, our bases, etc. In short, Secretary Rush stressed that we intend in the future to remain the number one military power in the world, and that we can be relied upon. This met with a very affirmative nod from the Shah. Rush said we will continue our diplomatic efforts to get the parties to the Arab-Israeli dispute negotiating.

11. Secretary Rush concluded the audience by again extending the President's good wishes and noting his great pleasure at the prospect of the July visit of the Shah and Empress.<sup>6</sup> The Shah indicated how pleased he was that he will be exchanging views with President Nixon in July.

**Rush**

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<sup>5</sup> In an April 27 memorandum to Kissinger, Saunders and Appelbaum conveyed the Shah's additional request to transfer U.S.-origin aircraft and other equipment to Pakistan. Kissinger instructed the Department of State to advise Iran that the administration was prepared to consider this request favorably, pending a formal review. (National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973) Telegram 98355 to Tehran, May 22, informed the Embassy that this case-by-case approach to Iranian transfers to Pakistan was designed to limit their negative impact on U.S.-Indian relations as well as assure that each request complied with statutory and policy requirements. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

<sup>6</sup> Backchannel message WH30729 to Tehran, March 12, transmitted Nixon's invitation to the Shah for a State visit: "I am most eager, as I begin my second term, to review with you the international situation, particularly in the area of the Middle East and the Indian Ocean." (Ibid., Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa) In backchannel message 63 to Kissinger, April 6, Helms reported that the Shah had chosen July 24 for a visit. (Ibid.)

**15. Memorandum From Harold H. Saunders of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, May 11, 1973.

SUBJECT

Message from Ambassador Helms and Reply

In the back-channel message at Tab B<sup>2</sup> Ambassador Helms raises the point below:

1. He noted that the Shah raised with Secretary Rush as he had with Helms earlier his concern that Sadat might resume hostilities against Israel. He hinted at the possibility of Iran's becoming involved in some sort of Arab-Israeli mediation. [*Comment:* It may be desirable to keep the Shah's offer in the background, but it is difficult to conceive anything that he could do except as a supplement to movement in a more direct channel.]

2. The Shah indicated his desire to see prompt agreement reached in the oil negotiations. He seems not to want to drive crude oil prices too high because that would be reflected in the cost of goods that he must buy from the US, Europe and Japan. [*Comment:* These negotiations for the time being seem to be moving slowly along the track, and there is no call at present for USG involvement.]

3. Helms says he recommended to Secretary Rush that US diplomatic representation in the Persian Gulf be up-graded. [*Comment:* The present situation is that our ambassador in Kuwait is accredited to Oman, the Union of Arab Emirates, Bahrain and Qatar. Upgrading our representation down the Gulf is surely one of the issues that will be dealt with in the study you have just requested on the Arabian Peninsula and Gulf. I have mentioned that in your reply to Helms.]

I see no other action that needs to be taken on the basis of this telegram.

*Recommendation:* That you approve the reply to Ambassador Helms at Tab A.<sup>3</sup>

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May 1973–December 1973. Top Secret; Outside System. Sent for action. All brackets are in the original.

<sup>2</sup> Tab B, not attached, is backchannel message 69 from Helms to Kissinger, April 25. (Ibid., Box 425, Backchannel Files, 1973, Middle East/Africa)

<sup>3</sup> Kissinger initialed his approval of the recommendation.

**Tab A<sup>4</sup>**

FROM

The White House, Washington  
Henry A. Kissinger

TO

Tehran  
Ambassador Helms/Eyes Only

1. Thank you for Tehran 069.

2. We, of course, would welcome any advice the Iranians could give to Sadat against initiating hostilities against Israel. Sadat talks as if a resumption of fighting would lead to diplomatic progress. I see no reason to believe that another round of fighting would be any more likely to produce negotiations than the 1967 and 1970 rounds. What we need now at a minimum is the basis for making a credible argument that Sadat wants peace and is prepared to negotiate realistically.

3. On the other hand, I find it difficult at this stage to see exactly what concrete role the Shah could play in Arab-Israeli negotiations. He might have a role at some later point in providing supplementary encouragement or pressure. But it seems to me that there will have to be some specific framework established by others before an Iranian role could emerge.

4. I am inclined to agree with you about the need to upgrade our diplomatic representation in the Persian Gulf. We have just sent out a NSSM asking for a study of the Peninsula and the Gulf area.<sup>5</sup> This issue will certainly be addressed.

5. Again, thank you for your continuing reports and suggestions.  
Warmest regards,

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<sup>4</sup> Sent as backchannel message WH31209 to Helms, May 16.

<sup>5</sup> NSSM 181, "U.S. Policy in the Arabian Peninsula and the Persian Gulf," May 10. See Document 22.

**16. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, May 23, 1973, 1310Z.

3581. Subject: Nasser Afshar "Ghotli". Ref: A. Tehran 3263; B. Tehran 3286; C. State 98076.<sup>2</sup>

1. Chargé was summoned to MFA this morning May 23 by Secretariat Director General Nadim, who referred to discussions outlined in Ref A and B regarding Nasser Afshar,<sup>3</sup> and then under instructions from him raised question of April/May 1973 issue of *Iran Free Press* which Shah had just seen. Nadim said Shah was shocked over scurrilous contents of this issue and disturbed that country with which Iran has such close relations could permit publication of this type of yellow journalism which full of libelous, irresponsible and inaccurate statements.

2. In reply Chargé said that he fully agreed with Nadim's description of this publication with its disgraceful contents, that we have been exploring with Washington for some time whether action could be taken against *Iran Free Press*, but without success so far, and that Shah's views as reported by Nadim would be promptly relayed to Washington. He suggested MFA might wish instruct Ambassador Zahedi to make same points to Department to underscore Shah's concern. Meanwhile we expected momentarily reply to questions regarding Nasser Afshar which MFA had put to us as reported in Ref A and B. (Ref C arrived after this meeting.)

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential.

<sup>2</sup> In telegram 3263 from Tehran, May 11, the Embassy reported the Iranian Government's demand for an explanation of why the U.S. Government in 1970 granted a passport to Nasser Afshar, an anti-Shah activist and alleged criminal. (Ibid.) Telegram 3286 from Tehran, May 12, conveyed the Foreign Minister's question: "How can USG permit U.S. citizen undertake political activities against friendly country like Iran and allow this citizen to establish organizations in U.S. aimed at undermining legally established Government of Iran?" (Ibid., Central Files 1970–73, POL 30–2 IRAN) In telegram 98076 to Tehran, May 22, the Department explained that there was no basis under law for denying Afshar a passport. (Ibid., Central Foreign Policy Files, [no film number])

<sup>3</sup> On June 12, the Counselor of the Iranian Embassy, Dr. Hassan Izadi, met with Deputy Assistant Secretary Davies. Observing that the *Iran Free Press* advocated a republican Iran, insulted Iranian authorities, and printed baseless stories, Izadi expressed his government's wish that the administration prevent Afshar from publishing the paper. Davies agreed that the paper was scurrilous and noted that the Department had corrected the paper's version of events for various Congressmen, but regretted that the U.S. Government could not act unless the paper violated Federal law. (Ibid., Central Files 1970–73, POL 13–3 US) For more information on Nasser Afshar, see *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 179 and 225.

3. *Comment:* Sheltered as he is by local conventions and practices from any criticism, Shah has always been sensitive to critical comments directed against him or his regime. As he gains in stature and self-confidence he is increasingly sensitive and finds it more and more difficult to understand democratic practices in countries like US and Germany which he sees as overly permissive and which appear to tolerate and condone anti-Iranian activities and personal attacks on Shah. Relations between Iran and Germany in recent years have several times been strained because of such developments, but during same period we have been spared Imperial unhappiness over occasional anti-Iranian demonstration in US or activities of persons like Nasser Afshar and his *Iran Free Press*. As suggested in Ref A Shah has apparently decided not to ignore any further anti-Shah elements in US and, given close relations between two countries, he apparently hopes we can do something about people like Afshar before his forthcoming visit to US.

4. In this context Ref C is helpful in answering specific questions about Afshar but we believe we also need more general message which will massage Shah's sensitivities and put *Iran Free Press* and Afshar in proper perspective. In responding to MFA queries we will draw on Ref C but we would also like to be able to say that matter has been considered on several occasions at high levels of USG and that USG deeply deplores yellow journalism represented by *Iran Free Press* and totally disassociates itself from this publication. Further, because of our close relations with Iran and regard for him, we have examined carefully what steps could be taken against Afshar and his publication but under our system of government, traditional freedom accorded press under Constitution and other relevant laws, we have regrettably come to conclusion that there are no legal steps that we can take and in our judgment resort to courts against this publication would not be productive.

5. Unless Department believes there is something we can do about Afshar and his publication Embassy recommends we be authorized to respond to MFA along foregoing lines. It is important that we be able to say we are speaking on behalf of high levels within USG.<sup>4</sup>

**Heck**

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<sup>4</sup> Telegram 103917 to Tehran, May 30, sent the requested authority to respond to the Ministry of Foreign Affairs. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

17. **Memorandum From the Directors of the Office of Iranian Affairs (Miklos), the Office of Regional Affairs (Schiff), and the Office of Saudi Arabia, Kuwait, Yemen, and Aden Affairs (Dickman) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco)**<sup>1</sup>

Washington, May 25, 1973.

SUBJECT

Redeye Missile for Iran

The attached draft memorandum from PM to the Secretary which recommends release of the Redeye missile to Iran,<sup>2</sup> has been sent to NEA for concurrence. Rationale for the sale is based primarily on two factors: 1) Iran's strong interest in the missile and 2) the July 1972 Kissinger memorandum stating the President's decision that we should generally be as responsive as possible to Iranian arms requests.<sup>3</sup> The memo finds no good reason to decline. ACDA has concurred in it.

IRN strongly favors release. ARP and RA oppose it (as does Chris Chapman in PM).<sup>4</sup> This memo outlines the two positions and requests your decision.

*The Case for Release*

The Shah believes the President has agreed to sell Iran virtually any non-nuclear weapon in our arsenal. Our policy may not go quite that far, but a refusal of a specific request will have to have persuasive policy justification or be badly misunderstood. Iran has expressed a strong and persistent interest in the Redeye missile. We have deflected repeated Iranian requests for over six months to complete:

a) an approach to the Soviets for joint restraint in the Middle East. This failed.

b) a review of Iranian security practices. They passed with flying colors.

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<sup>1</sup> Source: National Archives, RG 59, NEA/IRN Files: Lot 76D169, Box 8, DEF 12. Secret. Drafted by Rouse and approved by Schiff and Padelford. Sent through Davies.

<sup>2</sup> The memorandum is not attached. A copy is in the Washington National Records Center, OASD Files: FRC 330–78–0011, Box 69, Iran 1973. The Redeye was a man-portable, heat-seeking, anti-aircraft missile.

<sup>3</sup> See *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 214.

<sup>4</sup> In a January 29 memorandum to Padelford, Rouse wrote that Laird had declined to allow Iran to obtain Redeye missile data at present, fearing the missile's proliferation in the Middle East. Rouse noted, however, that the Soviet version was already in Egypt and perhaps Syria. (National Archives, RG 59, NEA/IRN Files: Lot 76D169, Box 8, 1973, DEF 12)

c) a policy review of the implications by PM. This produced the attached memo recommending release.

We are now asked to turn the Shah down because release to Iran would reawaken requests for the Redeye from Israel, Saudi Arabia and Lebanon. But there is no clear [evidence?] showing that release to Iran will spark other requests or that denial will deny the capability to the other applicants. Release to Iran would be classified and actual deliveries some time off. Israel may well have developed the simple technology itself. Other sources—the British Blowpipe and Soviet Strella missiles—are available. The Strella is already in Egypt and Syria and may be in Iraq. The Redeye has been released to Australia, Sweden, NATO countries. How can we persuasively justify refusal to the Shah in this permissive and uncertain context? He will certainly not be persuaded and almost certainly raise the issue with the President in July. It is recommended that we brief the Shah fully on the missile including its drawbacks and leave the decision on acquisition to him. This approach is consistent with the arms policy for Iran laid down by the President. We followed this policy when we had doubts about the Shrike missile which the Shah wanted, and the Shah changed his mind.

#### *The Case Against*

Saudi Arabia and Israel have previously expressed interest in this weapon. The Saudis had communicated their interest prior to Prince Sultan's June 1972 visit to Washington. Briefing papers prepared at that time recommended that Secretary Laird discourage the Saudis on grounds that 1) the weapon could be used indiscriminately and 2) we were not selling it elsewhere in the Middle East. So far as we know, the Saudis did not pursue the matter further.

Israel has a request pending with DOD, but it has not pressed it. (There is also a request pending since 1972 from Lebanon.)

The sale to Iran may very well rekindle Saudi (and Israeli) interest. And the salient point is that the Saudis are not Iranians. This is technically not a reliable weapon. Moreover it requires strict command and control and tight security measures. Such a weapon in potentially unreliable or uncontrolled hands could be dangerous. Saudi command and control measures are less effective than Iran's. To be prepared to consent to a sale to the Saudis would entail serious risks. To deny it to the Saudis could produce political problems with the Saudis, who, as we know, are showing sensitivity to receiving equal treatment in arms sales matters with Iran and Israel.

The President's decision on military supply policy requires us not to cavil with Iranian requests. But it does not mean that we abandon all discretion. In this particular instance, given the nature of the weapon



and its possible repercussions in the area, we should politely turn the Iranians down—or at least so recommend to the Secretary.

*Action Requested:*

That you indicate whether NEA should:

A) Concur in the recommendation to release the weapon, providing that we give the GOI a full briefing on its capabilities/drawbacks including our reservations about its potential misuse.<sup>5</sup>

B) Non-concur in the PM memo and recommend to the Secretary that we not authorize release of the weapon to Iran.

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<sup>5</sup> Sisco indicated his concurrence in recommendation A. Confirmation that the sale of the Redeye missile to Iran had been approved was transmitted in telegram 140399 to Tehran, July 17. (Ibid., Central Foreign Policy Files, [no film number])

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## 18. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, June 5, 1973, 1310Z.

3878. Subject: Murder of MAAG Officer.<sup>2</sup> Ref: A) Tehran 3719; B) Tehran 3794; C) Tehran 3855; D) State 106960.<sup>3</sup>

*Summary:* Although known facts in case are very few, murder of Lt. Col. Hawkins seems not motivated by personal considerations, but rather a political act by unidentified terrorists. We have no reason to be-

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, DEF 9 US. Confidential; Priority. Repeated Priority to the Secretary of Defense and USCINCEUR.

<sup>2</sup> Lieutenant Colonel Lewis L. Hawkins was shot and killed as he walked from his home to work at the Directorate of Financial Management, ARMISH/MAAG Headquarters. According to telegram 4249 from Tehran, June 16, a militant named Reza Reza'i was the alleged mastermind of the plot. Killed in a gun battle with police, Reza'i was the brother of a "religious fanatic" executed the previous year for killing a policeman, supporting a "widely held theory in Tehran that Hawkins was killed by a right-wing group." (Ibid., Central Foreign Policy Files, [no film number])

<sup>3</sup> In telegram 3719 from Tehran, May 30, the Embassy described the resumption of terrorism coverage in the Iranian press, which highlighted the government's anti-terrorist campaign. (Ibid., Central Files 1970–73, POL 23–8 IRAN) Telegram 3794 from Tehran, June 2, contains the initial report of Hawkins's murder. (Ibid., DEF 9 US) Telegram 3855 from Tehran, June 5, outlined the steps taken by the Embassy and by the Iranian Government to improve security in the wake of Hawkins's murder. (Ibid.) Telegram 106960 to Tehran, June 4, requested an assessment of the murder and the security situation for the consideration of the Committee to Combat Terrorism. (Ibid.)

lieve situation affecting security of Americans in Iran has been drastically altered. GOI is providing increased coverage for all Americans through roving patrols and Ambassador has written to all members of American community offering security guidance. *End summary*

1. Although there were two witnesses to murder of Lt. Col. Hawkins, assassins were wearing motorcycle helmets and could not be identified. To our knowledge Iranian police have no repeat no important leads on this crime. Therefore addressees should bear in mind that any analysis or suggested background for murder is based only on reasonable assumption or speculation.

2. We have looked carefully into character and background of Lt. Col. Hawkins and find absolutely no reason to believe murder may have been motivated for personal reasons. Hawkins enjoyed excellent reputation in American community. Active in his church, he was serious, hardworking, kind and conscientious officer. His work in financial management at MAAG Headquarters included no controversial or sensitive material. He led a very regular, well ordered life. Iranian authorities agree that Hawkins was not targeted for any personal or professional reasons.

3. Our best opinion is that Hawkins was picked as victim because he wore US Army uniform and early each workday waited for MAAG transportation on corner of fairly well-travelled street where he was easily noticed. To reach that corner he had to walk two blocks past vacant lot where murderers attacked him.

4. It seems reasonable to conclude that Hawkins was picked as a target symbolic of US-Iranian ties, [garble] US military support for Iranian Armed Forces, considered one of main bulwarks of Shah's government. By assassination, terrorists hoped to embarrass regime, demonstrate its inability to suppress opposition, frighten Americans in Iran and create problems in USG–GOI relations.

5. Iranian security officers have linked murder to three events:

(A) First anniversary (plus two non-work days) of bomb attack on General Price and other bomb blasts at time of President's visit.<sup>4</sup> Some Iranian officers believe same group conducted attacks on Price and Hawkins.

(B) Three recent, unreported shootings of terrorists by police in streets of Tehran.

(C) Execution of eight saboteurs in Ahwaz and announced public trial of seven guerillas (Tehran 3719). FBIS reported that clandestine

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<sup>4</sup> Militants set off three bombs on May 31, 1972, during President Nixon's trip to Iran, one of which detonated under the car of an American adviser to the Imperial Iranian Air Force, Brigadier General Harold L. Price. ("Nixon's Departure from Iran Marred by Terrorist Explosions," *The Washington Post*, June 1, 1972)

broadcast of Voice of the United Front of Nationalities in Iran on May 30 threatened to “revenge the blood of these martyrs” and in same text castigated support for “fascist regime” by “US and British imperialists.” Press June 5 reported two more saboteurs executed at Ahwaz on preceding day. Same trial gave life and lesser sentences to five other men. Clearly, GOI has been cracking down hard on anti-regime groups in recent weeks.

6. As to affiliation of assassins, some GOI officials believe group is left-wing, Iraq-supported, while others, including PriMin’s staff, suspect Mujahedin-e-Khalq, a right wing religious organization, also with ties to Iraq, which has recently distributed anti-regime leaflets.<sup>5</sup> We note from FBIS that clandestine radio Iran Courier on June 4 disavowed on behalf Tudeh Party Hawkins murder as “individual terrorism” and advocated mass action in violently attacking Shah’s military buildup. We naturally have no way of knowing at this point which group, or possibly isolated individuals, should be held responsible for murder.

7. Thus, though GOI will continue to press relentlessly on groups and individuals suspected of terrorism, experience demonstrates that there is little hope that this danger can be entirely eliminated. One determined individual can threaten American security in Iran through series of incidents. However, although there may be other incidents, we do [garble—not] believe there is any cause for undue alarm as to future security of official and private Americans in Tehran. While we have had periodic, unevaluated threats to Embassy and other US installations, there have been no other attacks on Americans since President’s visit. There is, of course, possibility that CENTO meetings will, like Presidential visit, provide occasion for guerillas to embarrass GOI by terrorist attacks.<sup>6</sup> On other hand, security will be so heavy during that period as possibly to discourage guerillas from risking confrontation.

8. As noted Tehran 3855, GOI is doing everything possible to strengthen local security for Americans. Even before Security Committee formed by PriMin, General Toufanian had been directed by Shah to organize committee to assure security for official and private Americans arriving to assist in Iranian military buildup. Despite

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<sup>5</sup> In telegram 3922 from Tehran, June 7, the Embassy forwarded Iraqi news reports linking Baathists to Hawkins’s murder. (National Archives, RG 59, Central Files 1970–73, DEF 9 US) Telegram 4393 from Tehran, June 21, reported that Iranian police had broken up another terrorist group, describing them as followers of an Islamic-Marxist philosophy. The telegram noted: “GOI has in past categorized many of its more violent opponents as leftists of one stripe or other and has been reluctant to admit that base of opposition exists among religious bazaari class. While government description of group’s philosophy could be correct, it may well signal campaign on part of authorities designed to de-emphasize undoubted religious orientation of some terrorist groups.” (Ibid., POL 13–10 IRAN)

<sup>6</sup> The CENTO Ministerial meeting was scheduled to be held in Tehran June 8–11.

problem of protecting almost 7000 private and 2856 official Americans in Tehran, GOI is producing map showing residences of all Americans and organizing roving patrols in those areas. Homes of senior official Americans have had police protection for some time. MAAG is reinforcing security at Evin Hotel where, under arrangement with Iranian armed forces, new military personnel are lodged.

9. Security Watch Committee met day of assassination to review measures in effect and consider additional precautions. Recently tightened security procedures for installations and individuals were judged adequate for the present circumstances. Ambassador has dispatched letter to all members of American community counseling reasonable reaction to murder and caution and alertness for future. Letter transmits common sense security guidelines and list of police stations. (Copy of letter pouched NEA/IRN)

10. We shall continue to watch situation closely and are, of course, maintaining close contact with Iranian security forces through several channels. We will communicate immediately, should it seem appropriate to request additional security support from Washington agencies.

**Helms**

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**19. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, June 18, 1973, 2015Z.

118336. Subj: Secretary's Audience with Shah of Iran. Ref: Tehran 4063.<sup>2</sup>

Following is approved summary of Secretary's June 9 meeting with Shah of Iran in Tehran:

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Exdis. Drafted by Helms on June 13 and approved by Sisco and in S. Repeated to Belgrade, Islamabad, New Delhi, Jidda, Kuwait, Ankara, London, Moscow, Tel Aviv, and Cairo.

<sup>2</sup> Not found. According to telegram 1304 from Copenhagen, June 13, telegram 4063 from Tehran transmitted a preliminary draft of the record of this conversation. (Ibid., RG 59, Central Files 1970–73, ORG 7 S) Secretary Rogers was in Tehran to attend the CENTO Ministerial meeting June 8–11.

*Summary:* The Secretary, accompanied by Sisco and Helms, had hour and forty minutes audience with Shah on 9 June. Subjects covered ranged widely to include Shah's recent trip, détente in Europe, oil and gas, Pakistan and the Subcontinent, Iran–Iraq relations, US arms to Saudi Arabia and Kuwait, Arab–Israeli impasse, and CENTO and its relationship to Indian Ocean. Greece was not discussed.

1. After photographs and normal amenities, Shah touched on his recent trip, devoting some minutes to Yugoslavia which he believes has the possibility of becoming an important European country in the next five years or so. He remarked on how “fit” Tito appeared and referred to his energy as “amazing” in man of his age. He and Secretary exchanged views about Romania and its leadership after which Shah mentioned that Bulgaria appears most tightly tied to Soviet Union of East Bloc countries he has visited. He noted Bulgaria's development of a reasonably sophisticated electronics industry.

2. After touching on the necessity of family planning in Iran with a current population of 31 million, 50 percent of which is 15 years of age or under, Shah passed on to a discussion of détente in Europe between the United States and the Soviet Union. He noted that the risk the US runs is in being obliged to bring American troops home. The Secretary pointed out that the danger for the Soviets lay in opening up their society to the extent which was required by this détente. He also expressed his concerns about Congressional attitudes with respect to the maintenance of American troops in Western Europe. The Shah noted his opinion that once the United States gets out of Europe, it will never send military forces back there whereas the Soviets can always be back in Central and Western Europe within 24 hours. He then mentioned his talks with Heath and Brandt along the lines that peace in Europe is directly linked with the situation in the Middle East. As he puts it, if a regular supply of oil does not flow to Europe from the Middle East, Europe could collapse without firing a shot. He feels that both Heath and Brandt have got the message, i.e., that something must be done to bring about a resolution of the Arab–Israeli stalemate.

3. At this juncture the Secretary congratulated the Shah on the signing of the oil agreement on May 24.<sup>3</sup> The Shah expressed his pleasure at the outcome and noted that Iran and West Germany are negotiating an arrangement whereby 500,000 barrels per day of Iranian refined products will be sold to Western Germany. He then spoke of Iran's gas resources stating “Iran has twice as much gas as all of the Arab states combined.” Thought is being given to building a pipeline to the Turkish border and on to Iskenderun. A more ambitious project

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<sup>3</sup> See footnote 4, Document 10.

would have this gas pipeline continue on to Europe through Yugoslavia, Trieste and branching out from there to Western Europe. He noted certain conversations with Jamieson of Exxon about the possibility of piping Saudi Arabian gas to Iran and hitching it into such a pipeline. There is no doubt that the Shah is more pleased about his arrangements on gas in the new agreement with the consortium than on any other aspect. He is pushing the sale of LNG to Japan and the United States.

4. After expressing his well-known views about subversion in the Persian Gulf and the maintenance of Pakistan integrity, the Shah referred to a recent conversation between Marshal Grechko and the Iranian War Minister during which Grechko's queries about Iran's purchase of arms from the United States were greeted with the comment that one may only pursue a policy of peace from a position of strength. To this Marshal Grechko was obliged to agree. The Shah pointed out that the stronger his country becomes, the wiser his policies are permitted to be. He noted to the Secretary that he told Kosygin that Iran could "crush Iraq in a few hours," a fact of life which kept Iraq from adventures against Iran. He feels that the only thing which keeps Iraq from shelling the Abadan refinery or other depredations is the knowledge of what Iran could do in retaliation. He alluded to a point which he had covered in greater detail in an earlier conversation with the Ambassador, that is, Iran can afford arms purchases on the scale envisaged, because it is spending as much money as makes sense on domestic development. As an example, the Shah pointed out that if he were to take money from the military to build hospitals, he could not find or train the doctors and nurses to man the hospitals. He said that there are 1200 Iranian doctors presently in West Germany who have been trained there and who like the bright lights and blond girls. He feels that they will gradually come back to Iran, but there is no way of forcing them at the moment. In addition, there are 4,000 Iranian nurses in New York City alone, and he points out there is no country known to him which has enough nurses at present, therefore he would not be able to import them if he wanted to. Put another way, the Shah believes that two years of military training either on direct military work or in the health and literacy corps inculcates a kind of discipline which the young people of his country need.

5. The Secretary and the Shah discussed military aid to Pakistan. They agreed that the Pakistan Armed Forces were a "Russian salad" made up of US, British, French, Chinese, and Russian equipment. The Shah expressed the hope that the US would send arms directly to Pakistan, the Secretary commenting that this was better than sending them through third countries like Iran. FYI: Secretary was referring to present limited policy. End FYI. The Shah assumed that Pakistan re-

quires spare parts, transport in the form of C-130's, and assistance in retrofitting its tanks which can be done in Iran. The Secretary mentioned that USG had approved the sale of Iranian C-130's to Pakistan. The Shah replied that he had so informed Bhutto on his recent visit to Tehran but had had no reply about this sale from him as yet. The Shah then stated that he was doing his best to make a bridge between Pakistan and India. He pointed out that he had told Bhutto that there was no point in the Pakistanis attempting a revengeful war against India. The Secretary and he discussed the possibility of POW trial and the bad blood which this would engender. Although Iran will not recognize Bangladesh until Pakistan does, the Shah feels that a tripartite meeting without preconditions is the best way to proceed towards sorting out the subcontinent. Both he and the Secretary noted that it would be useful if the British would reassure the Pakistanis by some gesture which would dull the impression that Britain is only behind India.

6. The conversation turned to the Persian Gulf. The Shah queried as to how Iran can help Kuwait if Kuwait does not request it. After reiterating his relief that the superpowers should stay out of the Gulf, he turned to the dispute between Saudi Arabia and Abu Dhabi and indicated it was the last serious one in that part of the area. He opined that the Saudis should do more to be helpful to North Yemen, Oman and Kuwait. The Secretary and he discussed the sale of F-4's to Saudi Arabia and to Kuwait, the Shah repeating his position that he had no objection to this development. Both the Secretary and he agreed that Saudi Arabia was very slow at reaching decisions. The US offer of a month ago to sell Phantoms being evidence of this since no firm reply has as yet been received from the Saudis. Sisco described his hearing before the HFAC during which he explained the Iranian military buildup.<sup>4</sup>

7. The Shah then asked the Secretary what could be done to keep Sadat from "committing suicide" i.e. going to war. The Shah stressed his oft-made recommendation that the Rogers Plan be reactivated in some form since Zayyat had told him "Egypt will accept the Rogers Plan." The Secretary pointed out that the Egyptians sometimes do not seem to understand what the Rogers Plan entails. He indicated that nothing could now be done until after the Security Council debate on the Middle East. He stressed that the United States was prepared to do anything it could to bring about direct or indirect talks between Egypt

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<sup>4</sup> On June 6, Sisco testified before the House Foreign Affairs Committee, which was holding hearings on U.S. interests in and policy toward the Persian Gulf, U.S. arms sales to Persian Gulf countries, and the current status of Israeli-Arab relations. For Sisco's testimony, see *New Perspectives on the Persian Gulf: Hearings Before the House Subcommittee on the Near East and South Asia of the Committee on Foreign Affairs*, 93rd Congress, pp. 1–34 (1973).

and Israel. The Shah agreed but stated again that some proposal must be brought forward which does not seem one-sided in favor of the Israelis. He expressed the hope that the United States would pursue a more even-handed policy in the area. The Secretary pointed out that this was what the United States was trying to do and indicated that the United States has good relations these days with Lebanon, Jordan, the Sudan, and even with Algeria. It is doing everything it can to create a real impression of even-handedness including maintaining regular contacts with the Egyptians. The Shah indicated that there is no other way. The Secretary further pointed out that both Israel and Egypt trust the United States and that we still have hopes of being able to accomplish something. The Shah indicated that he would be glad to have Amb. Hoveyda at the UN get in touch with Amb. Scali to see if there is any way in which Iran can be helpful in New York at getting talks going.

8. The Secretary then queried whether the Shah would agree that CENTO is now a more useful vehicle than ever. Noting that the Pakistanis want CENTO to help against India the Secretary indicated that this was not possible but that CENTO could be used to strengthen and provide support to Pakistan. The Shah expressed agreement, then stated that CENTO will become important in the Indian Ocean area as Iran becomes a naval power of increasing size. This in his view should establish a deterrent in the Indian Ocean particularly when Iran has long-legged Phantoms, air to surface missiles on her planes, and a refueling capability to cover the area almost as far as Diego Garcia. The Shah then noted that Iran has relations with South Africa and that General Frazer, former Chief of Staff, is coming to Iran as South African Consul General. He concluded by again agreeing with the Secretary that CENTO has an increasingly important role to play.

9. Shah did not raise Greece as anticipated. We assume this was because he had commented on this matter in his talks with Amb. Helms earlier in week.

**Rogers**



## 20. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, July 2, 1973, 1283Z.

4639. Subject: Shah's Visit to U.S. Ref: A. State 122217, B. State 128324, C. State 118336, D. Geneva 1942.<sup>2</sup>

*Summary:* This is first of two messages on Shah's forthcoming visit to U.S. This message seeks to describe current status of U.S.-Iranian relations and Shah's perceptions of these relations. Second message will deal with topics Shah may raise with President.<sup>3</sup> *End summary.*

1. When President visited Iran just over year ago, Shah characterized U.S.-Iranian relations as never having been better. We feel confident in saying Shah will be arriving in U.S. at time when relations are even better and more solidly based than ever before. Further, President will be receiving a friendly and seasoned Chief of State, who is at height of his power, fully confident about wisdom of his policies and direction he is taking his country and justifiably proud of Iran's and his remarkable achievements. Shah values his friendship and meeting with President, and looks forward to comparing notes and further developing close relationship and cooperation between U.S. and Iran which are important to Shah and which help him guide his country into assuming greater role and responsibilities in this troubled part of the world—in best tradition of Nixon Doctrine.

2. During year since President's visit here, Shah and Iran have moved from strength to strength domestically; country remains politically stable and economy continues to develop vigorously. Massive new Fifth Plan has just been launched over three times size of Fourth Plan calling for \$36 billion investment in country's future. However, dynamism of Iranian economy and of Shah's outlook are such that Shah has started talking about overhauling Plan as already too modest for his goals. Attracted by Iran's political stability and economic prospects, American, British, French, German, Japanese, and other businessmen are beating paths to Tehran to negotiate vast variety of economic and business arrangements which will further move this

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Confidential; Exdis.

<sup>2</sup> Telegram 122217 to Tehran, June 22, provided itinerary details of the Shah's upcoming visit. (Ibid., RG 59, Central Files 1970–73, POL 7 IRAN) Telegram 128324 to Tehran, June 29, included a memorandum of conversation between Sisco and Zahedi discussing the recent U.S.-Soviet summit in Washington. (Ibid., Central Foreign Policy Files, [no film number]) Telegram 118336 to Tehran and telegram 1942 from Geneva are Documents 19 and 14, respectively.

<sup>3</sup> Document 21.

country forward and provide more balanced economy against day when Iran's oil reserves will be depleted. Lengthy and complex negotiations with oil consortium have been successfully completed and new oil arrangements have been established which Shah believes to be mutually advantageous to Iran and consortium and which should ensure secure supplies to consumers and substantial income to Iran. Typically, Shah is looking forward to new areas of development such as Iran's extensive gas reserves.

3. On international front, Shah is moving ahead energetically to gain further recognition and respect for Iran as stable and responsible member of international community. In last year he has received world figures and has visited several important capitals. He is embarked on what he calls "independent" foreign policy involving friendship with all and good relations with major powers (US, USSR, PRC and Britain). Last year also marked by strengthening of ties with Eastern Bloc and establishment of relations with East Germany, North Korea and several African countries. Shah does not aspire to major power status but he believes these initiatives enhance Iran's prestige and role in world as country with friends in all camps which can make positive contribution to settlement of international problems. Shah has also sought to improve relations with PRC and this policy is paying off handsomely, as evidenced by forthright endorsement of Iran's foreign and defense policies by Foreign Minister Chi during recent visit to Tehran.

4. Iran's relations with the U.S. continue to prosper. In spite of Iran's efforts to improve its relations with USSR, and to establish or expand relations with Communist nations, Shah continues to look on U.S. as Iran's closest and most trustworthy friend. Progress has been achieved on several fronts. U.S. has moved ahead of Germany in the last year to become Iran's largest trading partner. Arms build-up based largely on purchases from U.S. and on assignment of American military and civilian technicians to advise Iranians on build-up are progressing satisfactorily. There are no important problems between our two countries and both of us continue to benefit significantly from this desirable state of affairs.

5. Perhaps even more important is new texture which has been introduced into our relations in last year and which gives them even greater substance. This is sense of greater equality by Iran in its cooperative dealing with U.S. This comes about because we have mastered tendency in recent years to second-guess Shah about his policies while Iran in turn has recovered from its client status attitude. Turning point occurred when President came to Iran last May. Important agreements were reached at that time regarding our willingness to assist Iran in its arms build-up, but even more significant and lasting result of visit was acknowledgment that henceforth we would accord Iran right and

wisdom to make decisions regarding its national security and other policies and stop questioning their merit. Several events during year contributed to cement further this new cooperative relationship. Shah's prompt agreement to President's request for transfer last fall of Iranian aircraft to Vietnam was one such example.<sup>4</sup> While transaction posed some problems for Shah, we surmise its net effect was to add another important and positive bond to our relations in that after many years of being on the receiving end of assistance, Shah could now come to help of U.S. in significant way. When all of returns were in, we believe Shah stood a little taller and our relations with Iran acquired even healthier basis.

6. In summary, Shah will be coming to Washington as a close and good friend of U.S. and as enlightened, successful and confident Chief of State. He will be accompanied by beautiful, intelligent, and popular Queen. It is relevant in this regard to note Shah's visit will be brief. He will, of course, be pleased with honors and ceremonies accorded him, but his principal business will be talks with President. Once this has been accomplished he will forego tours and sightseeing that customarily associated with such visits and return home.

**Helms**

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<sup>4</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 224 and 226.

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## **21. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, July 3, 1973, 0913Z.

4661. Subject: Shah's Visit to U.S. Ref: A. State 122217, B. State 128324, C. Tehran 4639.<sup>2</sup>

*Summary:* This is second of two messages dealing with Shah's visit to U.S. This message lists subjects which Shah may raise with President and high USG officials he will be meeting during visit.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Confidential; Priority; Exdis.

<sup>2</sup> See Document 20 and footnote 2 thereto.

1. *Summit Meeting and Détente*: Shah is uneasy about implications for Iran and this general area of détente between Soviet Union and West, particularly United States. In spite of surface cordiality of Iranian-Soviet relations, Shah harbors deep distrust of USSR and reasons that détente with West will release energies and resources for Soviet machinations in Middle East and especially in vital Persian Gulf, Arabian Peninsula, and Iraq. Recurrent theme in Iran these days is that détente should be worldwide and if achieved in one part of the world, it should not be at expense of security of nations in other areas. Moreover, Shah feels that in atmosphere of détente U.S. may take more tolerant view of Soviet effort to enhance its position in this region than would otherwise be the case. He is concerned that we may let down our psychological guard to ultimate detriment of Iranian interests. He has on several occasions recently expressed to ranking USG officials his concern over agreements which may have been reached between President and Brezhnev that might have bearing on Iran's vital interests. Secretary's assurances to him on 9 June were noted, but he will want to be reassured (State 118336).<sup>3</sup>

2. Accordingly, Shah will be most interested in hearing from President about summit meeting, including not only any discussions or understandings reached concerning Persian Gulf and Middle East, but also more generally such subjects as prospects for détente in Europe, progress of SALT, CSCE and MBFR talks, etc. Shah will also look forward to President's view on how U.S. regards Soviet activities in the Middle East aimed at securing dominant position in Gulf and Indian Ocean area.

He undoubtedly hopes U.S. is prepared publicly as well as privately to take firm position with Soviets that U.S. will stand firm on Soviet effort to expand its influence in Middle East, Persian Gulf and Indian Ocean regions and he may tell President that if we are steadfast in these areas USG can count on Iran to cooperate fully with us.

3. *Relations with China*: Iran has been pushing hard to improve its relations with Peking and its success can be measured by reassuring support which PRC is giving to Iranian position on rearmament and Persian Gulf. At present Iran welcomes what appears to be growing Chinese interest in this region both as a force to check Soviet ambitions, and also to shore up Pakistan, about which Shah is deeply concerned. Accordingly, improving relations between Peking and Washington are seen here in highly favorable light. Shah will be greatly interested in current status and direction of our Chinese relations. He will welcome anything we can say on this subject as well as status and trends as we see them of Peking–Moscow relations.

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<sup>3</sup> Document 19.

4. *Persian Gulf, Arabian Peninsula, Iraq, Arab-Israeli Dispute and Energy Crisis*: This complex of subjects is increasingly interrelated in Shah's mind. He may advance, but in low key, his well known thesis that peace and stability within the Persian Gulf should be the sole responsibility of the littoral states. This thesis is consistent with public and private statements we have made to effect that Gulf states should cooperate for their own security. At same time Shah would like reassurance on how we see our interests and commitments in the Gulf. He has not urged U.S. to involve itself directly in problems of area, but he welcomes U.S. willingness to provide Saudi Arabia and Kuwait with sophisticated weapons. However, he remains worried about insurrection at Dhofar, trouble between the two Yemens, fragility of UAE, and what he considers relative weakness and fecklessness of Saudi Arabia under King Faisal. In this context it would be useful to suggest to Shah that in his commendable efforts to improve relations between Iran and Arab states on other side of Gulf, it is incumbent on Iran as by far strongest power, to reassure Saudi Arabia of Iranian intentions and to take lead in seeking closer cooperation, particularly between Iran and Saudi Arabia. Foreign Minister Khalatbari's trip to Jidda is welcome step in this direction.<sup>4</sup>

5. *Iraq and Soviet Union*: Shah continues to be uneasy about subversive activities of Iraq allied with Soviet Union. We have passed to GOI substance of various reports suggesting that honeymoon between Soviet Union and Iraq is over but he has countered with information suggesting Soviet influence in Iraq is increasing (Tehran 4475).<sup>5</sup> Shah will be interested in any assessments we have of status and direction of Soviet-Iraq relations.

6. *Arab-Israeli Dispute*: Shah will express his concern that current impasse may lead Arabs to desperate acts and play into hands of Soviets. He can be expected to urge more even-handed U.S. policy in area and reactivation of Rogers Plan in some form.

7. *Pakistan*: In year since President's visit here Shah has become increasingly concerned about Pakistan and maintenance of its integrity. Shah feels that we are not doing enough for Pakistan and will probably urge that we be more responsive to Pakistan's requests for military assistance. Shah will, of course, be interested in having President's views on Pakistan and its future in the wake of Bhutto's visit to Washington.

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<sup>4</sup> A description of Khalatbari's trip to Jidda, which was intended to deepen Saudi-Iranian cooperation in the Gulf, is in telegrams 4400 from Tehran, June 21, and 2619 from Jidda, June 24. (National Archives, RG 59, Central Files 1970–73, POL 33 PERSIAN GULF)

<sup>5</sup> Document 218.

8. *Oil*: Shah will almost certainly raise subject of oil. He is pleased at outcome of oil negotiations with consortium and is embarked on negotiations with several countries for Iranian refined products. In addition, NIOC is in last stages of negotiating with Ashland Oil Company of Kentucky (public knowledge) and with Apco Oil Company of New York (still confidential) for equity participation in existing oil refineries in the U.S. to be bought with guaranteed crude supplies. Shah is also very, perhaps even excessively, optimistic about future of Iranian gas and we have a long lead here with U.S. company (International System and Control of Houston) having formed Kalingas which will almost certainly be producing Iran's first LNG exports. He will push for further such projects. On hardy perennial question of increased oil exports to U.S. we can at last be completely forthcoming following President's energy message.<sup>6</sup> Shah will be interested in evolving US–USSR relations on gas and oil and may wish compare notes on how to obtain hard currency payments from Soviets in such transactions.

**Helms**

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<sup>6</sup> President Nixon delivered a special message to Congress on energy on April 18. The text of the President's message and his remarks on transmitting the message to Congress are in *Public Papers: Nixon, 1973*, pages 301–319.

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## 22. Editorial Note

On April 24, 1973, the President's Assistant for National Security Affairs, Henry Kissinger, forwarded a summary of a report submitted by Ambassador to Iran Richard Helms on the prospects for stability in the Persian Gulf. Kissinger passed along Helms's view that Iran could undermine the regional order: "Arabs feel that Iranians in general and the Shah in particular are so contemptuous of them and are so arrogant in their dealings with them that true cooperation probably is not possible. The Arabs generally fear Iranian colonialism in the Gulf." To ease the tensions between the Arabs and Iran, the United States should assume a mediating role. (National Archives, Nixon Presidential Materials, NSC Files, Box 602, Country Files—Middle East, Iran, Vol. IV, September 1971–April 1973) Helms's report, March 31, is scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

On May 10, Kissinger issued National Security Study Memorandum 181, which ordered a review of U.S. policy in the Arabian Pe-

ninsula and the Persian Gulf. Among other questions, the study was to consider how to improve Saudi-Iranian cooperation and strengthen U.S. bilateral relations with Saudi Arabia and Iran. NSSM 181 is scheduled for publication *ibid.* As National Security Council Staff members Harold H. Saunders and William B. Quandt observed in a memorandum to Kissinger on April 25: "The U.S. has no interest in being faced with a choice between Persians and Arabs, and our policy has been to promote their cooperation. That cooperation, however, is weak now and not at all to be taken for granted, partly because the Shah does not see Saudi Arabia as an effective partner. Without in any way working against Iran, the US has an interest in helping the Saudis play a more effective role." Saudi Arabia might be granted a place in U.S. regional policy comparable to that of Israel, Iran, and Jordan. (National Archives, Nixon Presidential Materials, NSC Files, NSC Institutional Files (H-Files), Box H-200, NSSM 181)

On July 19, Quandt sent Kissinger an Analytical Summary of the Department of State's response to NSSM 181. In part, it reads: "The Shah is determined to make Iran the predominant military power in the region. In pursuit of this goal, the Shah is often overbearing and heavy-handed in dealing with his Arab neighbors, and the prospects for serious Iranian-Arab rivalry are considerable in the future. This could be accentuated when Iran's oil production begins to peak out in the 1980s, while Saudi Arabia, Iraq and the UAE continue to increase oil production and earn revenues far in excess of Iran's. It is this future imbalance between military power on one side of the Gulf and economic power on the other that poses dilemmas for the United States."

Quandt summarized the paper's two policy approaches for Iran. One was to press Iran toward policy coordination with the Arabs. Because it entailed restraining the Shah and propping up King Faisal of Saudi Arabia, this policy could put bilateral U.S.-Iranian relations at risk. The other alternative was to support Iran as the major regional power, which "could encourage the Shah's more imperial fancies, resulting at worst in an over-extension of Iranian power and serious conflicts with Iran's neighbors, perhaps including the Soviet Union. It is virtually certain that this policy would make Saudi-Iranian cooperation difficult to achieve." The administration had already recognized Iran's growing power and status; the question now became, "Would it make sense to begin trying to direct the Iranian armed forces toward a more sensible and less costly force structure designed more for Iran's genuine defense needs than for prestige purposes? If not, how far are we willing to support the Shah if he begins to use his forces across the Gulf in ways that are bound to alienate Saudi Arabia and perhaps accelerate the radicalization of the Arab oil-producing states?" (*Ibid.*, Box H-68, NSSM 181)

Also on July 19, in a memorandum to Kissinger briefing him for a Senior Review Group meeting on NSSM 181, Saunders acknowledged that the second of the two policy alternatives for Iran was becoming de facto U.S. policy: "The basic issue to be discussed is the assumption which has been at the base of our policy to date—that *Iranian-Saudi cooperation* is the best guarantee of stability in the Gulf. The issues are whether the Saudis are showing the capacity to hold up their end of the cooperation and whether the relationship between Iran and Saudi Arabia is good enough so that it is realistic to think in terms of such cooperation. The alternative into which we are drifting is to assume that the Iranians will take care of stability in the Gulf." (Ibid., Box 1227, Harold H. Saunders Files, Chronological Files, Folder 1) For minutes of the Senior Review Group meeting, see Document 23. The National Intelligence Estimate on related Persian Gulf themes, NIE 30–1–73, "Problems in the Persian Gulf," June 7, is scheduled for publication in *Foreign Relations*, 1969–1976, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.



## 23. Minutes of Senior Review Group Meeting<sup>1</sup>

Washington, July 20, 1973, 3:11–4:06 p.m.

### SUBJECT

Regional Strategy and the Arabian Peninsula/Persian Gulf NSSM 181–182

### PARTICIPANTS

#### *Chairman:*

Henry A. Kissinger

#### *State:*

Kenneth Rush

Joseph Sisco

Alfred Atherton, Jr.

Thomas Thornton

#### *DOD:*

William Clements

Robert C. Hill

James H. Noyes

#### *JCS:*

Adm. Thomas H. Moorer

Vice Adm. John P. Weinle

#### *CIA:*

Lt. Gen. Vernon Walters

Samuel Hoskinson

John Waller

#### *Treasury:*

Gerald Nensel

#### *NSC Staff:*

Brig. Gen. Brent Scowcroft

Harold Saunders

Harold Horan

Col. T. C. Pinckney

Mrs. Jeanne W. Davis

### SUMMARY OF CONCLUSIONS

#### *It was agreed that:*

—the Working Group would prepare a paper spelling out in more detail what we might actually do under the different approaches to the problem, both in terms of an overall U.S. strategy in the area and in a contingency sense, both in Saudi Arabia and in the Emirates;

—Defense and the JCS would consider the role of a naval presence;

—State would do what it could to upgrade U.S. representation in the area.

Mr. Clements: The Shah wants to ride in an F-14 while he is here. It's operational now, and he has indicated he wants to buy a squadron of F-14s and F-15s at some point.

Mr. Kissinger: Do you not want him to fly? I'll call their Ambassador and tell him that we would feel better if he did not fly in a U.S. Government aircraft while he is in the U.S.

Mr. Clements: No, I don't want you to. He really wants to fly it. He is a professional—he's no kid.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, TS SCI, Box SCI 18, SRG, February 1971–July 1973. Top Secret; Sensitive; Codeword. The meeting was held in the White House Situation Room.

Mr. Kissinger: Ken (Rush), what do you think?

Mr. Rush: I don't think he should fly in any U.S. military plane while he is here.

Mr. Kissinger: Dick (Walters)?

Gen. Walters: The Crown Prince is only 13 years old.

Mr. Kissinger: If he wants the aircraft he will buy it whether he flies it or not. He's not a child; he's a highly intelligent, cold-blooded, calculating, tough man. I can call his Ambassador and say the President is worried about his flying in this plane. It can be done so that it flatters him.

Mr. Sisco: I agree that it should be done as you describe. I recommend you make the call.

Mr. Hill: What if he comes back and says he still wants to fly it?

Mr. Kissinger: Of course, we can say that if he has his heart set on it, okay. But the President would feel easier if he did not have that one worry in 10,000. The Shah will be flattered.

Adm. Moorer: And then he will fly it. That way we get the best of both worlds.

Mr. Clements: You have to consider his motivation. Not only is he interested in the weapon, but this is also a great image builder for him. A demonstration of his virility.

Mr. Kissinger: We won't stop him, but we'll just say our minds would be easier if he didn't do it.

I thought we might have a follow-on today of last week's discussion, focussing on the Arabian Peninsula and the Persian Gulf, and on the Saudi Arabian contingency paper which I want to discuss briefly.<sup>2</sup> Dick (Walters), do you have a briefing for us?

Gen. Walters briefed from the attached text.<sup>3</sup>

Mr. Kissinger: Joe (Sisco), do you want to discuss the State Department paper on a basic approach?

Mr. Sisco: This paper tries to analyze how we believe Moscow looks at the region as a whole. It outlines two approaches from our point of view: 1) as a Soviet-American issue which includes the element of détente in Europe; and 2) the area viewed as a whole but also as sub-regions in which we should consider the various indigenous

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<sup>2</sup> The SRG met on July 13 to discuss NSSM 182, May 10, "Implication for U.S. Policy of Probable Lines of Soviet Strategy and Policy in the Eastern Mediterranean, Near East, Arabian Peninsula, and South Asia." The minutes of the meeting and the contingency paper prepared in the Department of State in response to NSSM 182 are scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

<sup>3</sup> Attached but not printed.

forces. We come out with an inevitable mixing of the two strategies. There is no easy, simplistic, one-course response. Our strategy could manifest itself in bilateral state-by-state relations. The two strategies are not mutual exclusive. But we would like to explore whether you (Mr. Kissinger) feel, given our evolving relationships with the Soviet Union and the PRC, that there is any new kind of leverage to move from a policy of *détente* in Europe and non-confrontation in this region—to move to active cooperation to stabilize the area. We have serious doubts if the Soviets want to go beyond the avoidance of war and confrontation. This situation gives them an opportunity to probe for soft spots and exploit any opportunity.

Mr. Kissinger: I'm not astonished by PRC activities in this area. This will sort itself out—we can handle it. With regard to the active cooperation of the Soviets, it would be difficult to obtain in Moscow and it might bring the Chinese in in a more active way. I believe the Soviets would go along with non-confrontation, but it depends on the definition of non-confrontation. The problem is whether the objectives of Soviet policy can work adversely to our interests. If there should be a successful Iraqi association with the Soviet Union, we could get the evolution General Walters described at the meeting last week (SRG meeting on NSSM 182, July 13, 1973). If non-confrontation makes the friends of the Soviet Union pay a heavy price for that friendship and strengthens the countries which are supporting stability in the area, then it is in our interest.

Mr. Sisco: We have some real assets in various places.

Mr. Kissinger: We should be careful not to draw the Israelis in. We don't have to pay any additional price for their being strong.

Mr. Sisco: That makes a great deal of sense. We can continue our support to Iran and Jordan but keep the door open to Iraq and Syria.

Mr. Kissinger: But make them pay a price. Keeping the Kurds active in Iraq would not be contrary to our interest.

Mr. Sisco: Not at all—it would be helpful. With regard to the Aden regime in South Yemen, Saudi Arabian equipment is now going into North Yemen, and we hope Jordan will help too. Jordan, Iran and others are involved in Oman, where there is a Dofar rebellion supported by the Soviets. They're paying a price. We're doing it by stimulating our regional partners. Of course, there is an incremental element. We have to do something to sweeten the pot to get them to move. I was struck by the statement of an Iraqi leader three days ago in which he said he would welcome an opportunity to talk to us.<sup>4</sup> Our man in Baghdad has been very limited in his contacts.

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<sup>4</sup> See Document 223 and footnote 5 thereto.

Adm. Moorer: We have intelligence reports indicating that the Iraqis are easing back some on their involvement with the Soviets.

Mr. Sisco: We're recommending a quiet chat with the Iraqi man here.

Mr. Kissinger: I got in trouble when I used the word "expel" in 1969, but if we could get the Soviets to suffer a mis-adventure in Iraq it could curb the Soviet appetite in the Middle East.

Mr. Sisco: I wouldn't be so modest in using the word "expel". There are signs that Iraq, as a minimum, is trying to keep the door open to the West. As a maximum, they're trying to loosen their link with the Soviets. I don't want to overdraw this situation, though.

Mr. Kissinger: If that happens, what?

Gen. Walters: The Iraqi Government has just agreed to work more closely with the Iraqi Communists.

Mr. Sisco: They added two members to the Government, but they also talked about adding Kurdish members—a tripartite arrangement.

Mr. Clements: There are 2½ million Iranians in Southern Iraq. The Shah should be encouraged to stimulate them.

Mr. Kissinger: Every time he has tried it the Iraqis have known about it.

Mr. Clements: You can't do it without some risk. He should stir the pot.

Mr. Rush: We hope to stir the pot in our direction.

Mr. Kissinger: What should we discuss with the Shah when he is here? What do we want from him?

Mr. Sisco: We may find him concerned that we're preoccupied with détente in Europe and not sufficiently vigorous in recognizing and countering Soviet machinations in his area. Any assurances we could give him in this regard would be very desirable. We should emphasize that the Shah is a primary element of stability. We can understand his exasperation and irritation with King Faisal, who is dragging his feet, and we're relying on the Shah to draw out Faisal and move him toward greater cooperation. But, remember, power both attracts and repels. Faisal doesn't mind a strengthened Iran but is worried about Persian power; but the Shah can deal with this.

Mr. Clements: This Shah-Saudi relationship is overplayed. Faisal is looking for signals from the U.S. He is worried that his direct communication with us is not as strong as Iran's. It's improving and he hopes in time it will be equally good. But he has serious misgivings about an Iranian battalion in Oman. These cables talking about how the Shah and

Jordan could take over Saudi Arabia in case of a rebellion are bad business.<sup>5</sup>

Mr. Kissinger: Why is it bad business?

Mr. Clements: We can get in an awful jam.

Mr. Sisco: The point is to stress to the Shah that he should do everything he can to strengthen cooperation with Saudi Arabia.

Mr. Rush: The Shah wants an alliance with Faisal. Faisal is torn between the dangers of a leftist rebellion and being swallowed by the Shah. The Shah thinks he and Saudi Arabia would be a powerful base if they could get together. We could talk to the Shah in a low key about his concern that we and the Soviets are doing something that might affect him.

Mr. Kissinger: Like what?

Mr. Rush: Something on the Persian Gulf, oil in the Middle East, Pakistan. We could assure him that our dealings with the Russians have nothing to do with him.

Mr. Sisco: And that we are alive to the Soviet threat in the area.

Mr. Rush: He thinks India and the Soviet Union are anxious to foment difficulties on Baluchistan and Pushtunistan.

Mr. Kissinger: Particularly now with the change in Afghanistan.

Mr. Rush: Yes. He thinks India and the Soviet Union want to break up Pakistan.

Mr. Kissinger: Iran can play a regional role. You could argue that it would not be in Saudi interest to get it involved in this kind of foreign policy issue. It might undermine the monarchy if we pushed too much. They are interested in South Yemen and Oman. In the general scheme of things, maybe the best thing Saudi Arabia can do is to stay alive in its present structure.

Mr. Clements: Absolutely. They have all the fish they can fry at home.

Mr. Kissinger: But as a concept, what's wrong with the cable? If a version of Qadhafi takes over in Saudi Arabia, what do we do? Do we negotiate with him? This should be prevented. As Saudi Arabia modernizes, with our help, the probability of revolution increases. If a Qadhafi takes over, what course should we take?

Mr. Rush: We don't consider the Saudi Arabian situation so precarious.

Mr. Kissinger: Fine. But what's wrong with the contingency planning in the cable? We're not promoting or advocating the contingency.

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<sup>5</sup> Not further identified.

We should try to prevent the contingency, but what do we do if Radio Jidda announces a take-over by a group of left-leaning Colonels?

Mr. Rush: We should give careful attention to the various contingencies.

Gen. Walters: History doesn't wait.

Mr. Clements: It's not our place to make history.

Mr. Kissinger: What does that mean?

Mr. Clements: The Shah has got the big eye on the whole area. He would like nothing better than for us to include him in U.S. contingency plans in a hiatus. He will make the hiatus.

Mr. Kissinger: Suppose he doesn't, and it occurs. What do we do?

Mr. Clements: We should be giving more attention to Saudi Arabia itself. There are many things we could do to strengthen its position. The Shah is telling everyone how unstable Saudi Arabia is. He's been forecasting doom for the last five years.

Mr. Kissinger: The problem is to get our government ready for a contingency when it arises. We shouldn't make it or encourage the Shah to make it.<sup>6</sup> But we want to get some basic thinking on our choices, should it happen. This is a good paper.

Mr. Sisco: We tried to develop honest choices. It wasn't easy.

Mr. Kissinger: What are the basic types of approach?

Mr. Sisco: We see three contingencies: 1) gradual deterioration, 2) civil war, and 3) a successful coup.<sup>7</sup>

Mr. Kissinger: Would we know the nature of the coup? Could we identify the possible effect on U.S. interests in a short time?

Mr. Sisco: I'm not sure.

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<sup>6</sup> In a July 23 briefing memorandum for Kissinger's meeting with Helms (see Document 24), Saunders noted the "general feeling" at the SRG meeting that "Jordanian and Iranian involvement should not be encouraged and that this subject should not be discussed with the Shah, lest it encourage him to assume an Iranian role in the Peninsula that would not necessarily improve prospects for stability." Saunders continued that despite Saudi limitations, "we do want Faisal to play an active role in contributing to stability in his own Peninsula." Although circumstances could produce conflict between the two, "it does seem important to do what we can, if anything, to encourage a closer personal relationship between the Shah and Faisal." (National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

<sup>7</sup> In backchannel message 100 from Tehran, October 11, Helms wrote of his two sessions with the Shah on contingency planning for a potential crisis in Saudi Arabia, whether a military coup, a succession crisis following Faisal's death, or a civil war between army elements and supporters of the Royal family. Although the Shah had "no intention of putting anything on paper until he sees what USG is prepared to do," he was clear on U.S. responsibilities: identifying a Saudi political group willing to request Iranian military help; providing Iran with a heavy airlift capability, air refueling capacity, and the F-14; and dealing with any possible Soviet involvement. (Ibid., Box 425, Backchannel Files, 1973, Middle East/Africa)

Mr. Kissinger: We really wouldn't know?

Mr. Sisco: If you ask me the worst thing that could happen, it would be a take-over by radical elements without any prior knowledge. Our options would be 1) American intervention, where the difficulties are obvious; 2) consultations with the Shah on the contingencies: if it occurred, what would you be willing to do? what is your capacity? what prior preparation would be required? and 3) involvement of Jordan in the discussions. But how would we prevent it from leaking? It would be compared to the 1956 French-British-Israel collusion. There would be charges of a U.S.-Iranian-Jordanian scheme to dismember Saudi Arabia.

Mr. Kissinger: We can do contingency planning in two ways: 1) what do we want to promote and what assets do we have, without discussing it with others; and 2) planning which includes others. If Jordan might play a role, we should keep this in mind in our arms policy, without telling the King of Jordan about it. He's no fool.

Mr. Clements: I agree. If we start on that track he'll be three jumps ahead of us.

Mr. Kissinger: The King of Jordan couldn't take on Saudi Arabia without overwhelming problems.

Mr. Sisco: Syria and Iraq would jump in. Then Israel might. How could we contain such intervention without it's spreading and involving all of the Middle East.

Mr. Kissinger: We wouldn't give a damn about Saudi Arabia if it didn't have most of the oil in the region. The question is what we should do if two years from now we find ourselves dealing with a Qadhafi.

Mr. Rush: Could we really consider a military option?

Mr. Kissinger: This is damned serious. Some problems are so essential to our survival that we have to consider it seriously.

Mr. Clements: I agree, we have to consider it seriously. But I haven't even seen the paper yet.

Mr. Sisco: You have had the paper since it was finished. But we had a very short fuse on this.

Mr. Noyes: (to Mr. Clements) It's the paper I showed you yesterday. I put it in your briefing book.

Mr. Kissinger: It's our fault for the short fuse on this. But we wanted to have something if it were raised by the Shah. I see a problem about *discussing* it with the Shah—it might whet his appetite.

With regard to the general strategy, the paper lays out not so much alternative directions but alternative emphasis. We could do anything under either alternative. Assuming we don't want a confrontation with the Soviets but that we want to make things difficult for them and help

our friends, what should we do? Bill Clements has spelled out what he wants to do for Saudi Arabia. What should we do if one of the key countries, like Saudi Arabia, starts collapsing? The three alternatives are good, but can we spell them out in more detail? What would we do?

Gen. Walters: Plus preventive measures.

Mr. Sisco: We can do a little better.

Mr. Kissinger: There is enough here to prepare the President for his talks with the Shah. We should not *discuss* this with the Shah. But we should get this spelled out both in terms of overall strategy and in the contingency sense. Let's do the same thing for the Emirates. What would we do in a contingency, if anything?

Mr. Clements: We should consider their vulnerability. The Shah wants an unstable situation here. If there were trouble, he'd be in in five minutes. There are strained relations between some of these rulers and Iran.

Gen. Walters: Iranian military intervention in the Peninsula would arouse the Arab world.

Mr. Kissinger: Could Admiral Moorer and Defense include some thinking on the role of a naval presence as we evolve a strategy.

Adm. Moorer: We might beef it up some.

Mr. Kissinger: Dick (Walters), you have a look of doubt?

Gen. Walters: In any paper on the United Arab Emirates, you have such a disparity of conditions, dynastic rivalries, their childish displays with Saudi Arabia over infinitesimal areas of territory.

Mr. Kissinger: But what developments there might threaten our interests? Let's try to identify them and know what we would do.

On another matter, I've heard complaints about our representation there.

Mr. Rush: Dick Helms says our representation is too low; that we're hurt by not having Ambassadors there.

Mr. Kissinger: How about the quality?

Mr. Rush: It's both titles and quality.

Mr. Sisco: We've recommended upgrading our representation, but it's a Congressional problem. Fulbright is against it.<sup>8</sup>

Mr. Kissinger: Are we short in Saudi Arabia too?

Mr. Clements: We're short of people and quality—State [*less than 1 line not declassified*] and the military are in the same boat. We're short of budget and equipment.

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<sup>8</sup> Senator J. William Fulbright (D–Arkansas) was Chairman of the Senate Foreign Relations Committee.



Mr. Sisco: I agree.

Mr. Kissinger: Let's include considerations such as these.

Mr. Clements: Can State transfer people from one area to another with a higher priority?

Mr. Rush: Yes, we do it all the time.

Mr. Sisco: The response to NSSM 181 makes a concrete recommendation for upgrading our personnel.<sup>9</sup>

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<sup>9</sup> See Document 22.

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## 24. Memorandum of Conversation<sup>1</sup>

Washington, July 23, 1973.

### PARTICIPANTS

Henry A. Kissinger, Assistant to the President

Richard Helms, US Ambassador to Iran

Harold H. Saunders, NSC Staff

The conversation had been going on for some 20 minutes when Mr. Saunders was invited to join and began taking the notes below.

Helms: You asked for my recommendation on Bahrain. Here is a paper analyzing the situation and covering my recommendations [Attachment A].<sup>2</sup> My recommendation is to leave the naval force there as it is.

You also asked for my views on Chinese support for PFLOAG. Here is a paper on that subject, too [Attachment B].<sup>3</sup> The Chinese have indeed slowed their support for the rebels in South Yemen.

Kissinger: I am glad to hear that. I discussed this when I went to China in February. The Chinese have the same assessment as we do. They agree that Iran should be the pillar of a Middle East policy. I told

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS-28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 23 July–15 September 1973. Top Secret; Exclusively Eyes Only. The meeting was held in Kissinger's office. All brackets are in the original.

<sup>2</sup> Attached but not printed is a July 15 paper entitled "The U.S. Naval Presence in Bahrain."

<sup>3</sup> Attached but not printed is a July 15 paper entitled "Chinese Support for PFLOAG."

them it would not work if they continued to support subversive elements which would drain Iranian strength. They said they would limit their support to subversive elements.<sup>4</sup>

Helms: They have done that. Cubans and Soviets have taken their place.

[1 paragraph (6 lines) not declassified]

In any case, it would be useful just to remind Chou En-lai that we expect to see a declining scale of Chinese support for the rebels continue. They probably can't cut off their aid entirely.

Kissinger: Would you go to Peking sometime?

Helms: Yes. I am going to Pakistan in mid-October. You suggested it. Now Bhutto has invited me.

Kissinger: Yes, I mentioned it to Aziz Ahmad.

I want to talk to the Shah about Pakistan and about our general view of the area. If we share his judgment that Soviet activity adds up to a sort of geo-political pincers—whether it is planned or whether it comes about through the cumulative effect of general conflict—what can we do?

In Pakistan, we want to prevent a disequilibrium so the Indians will not be tempted to dismember Pakistan. We have no interest in promoting an arms race, and we would like to improve our relations with India. But we do not want India to be the dominant country in the Arabian Peninsula as well as in Southeast Asia. What concretely do you think the Shah has in mind?

Helms: First, he has to do more work on his armed forces. He feels that Iran cannot allow Pakistan to disintegrate. He wants to get the Chinese lined up. When the Chinese Foreign Minister came to Tehran and endorsed Iranian policy, the Iranians were dumbfounded. At the dinner where this happened, the Chinese Foreign Minister was not even scheduled to speak. He got up and delivered his remarks. The Iranian Foreign Minister had egg on his face; he did not even have any prepared remarks with which to respond.

The Shah will be concerned about what the Afghans will do on the Pushtunistan issue. He feels that Afghanistan is so backward that it is difficult to deal with them.

As far as arms for Pakistan are concerned, he sees the Pakistani armed forces as a "Russian salad." They have a wide mixture of equipment from a number of sources. He does not know what can be done for them. He wants the US to do what it can.

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<sup>4</sup> For the records of Kissinger's meetings during his visit to Beijing, see *Foreign Relations*, 1969–1976, volume XVIII, China, 1973–1976.

Kissinger: It is almost impossible for us to do anything for Pakistan in the way of military equipment that makes a difference.

Helms: During the visit, we should tell the Shah very explicitly what we can and what we cannot do. He should not live in a wonderland thinking that the US can do things it cannot do.

Kissinger: What do you think we can and cannot do?

Helms: My own judgment is that the policy now reflects about all Pakistan can handle at this point anyway. They cannot pay for more military equipment. They have to get their military house in order. The problem Bhutto faces is a political one not just a military one; the problem is how to hold the country together.

Kissinger: It is also important to give the army confidence in its support of Bhutto.

Helms: Can't you do that with ammunition and spare parts? I am all for modernizing the Pakistani forces at some point, but that is not the biggest thing on our platter in 1973. The Shah is very cautious about his own involvement. He is proud of what his military has achieved, but privately he worries a lot about how his troops would perform in battle. If one is confident, one does not ask the kinds of questions that he asks. For instance, he asked General Goodpaster how one inculcates the kind of discipline in pilots that our pilots showed over North Vietnam when they went back again and again over targets where there was real danger that they would be shot down. He has a fine air force headed by the best man he has. It is all American equipped. It is a good show. But our policy ought to be not to put it to the test. Just to have it there is an asset. If we play our cards with good sense and give him what he wants including our moral support, others will not want to put it to the test.

Kissinger: Are we through talking about Pakistan?

Helms: I would simply tell him what we can and cannot do.

Kissinger: Should we talk about the Kurds now?

Helms: I would continue doing what we have been doing. We have some new proposals from the Kurds. I don't want to get into the details of this. I would simply have Saunders, Kennedy and CIA work out a program on how much money to give them.

Barzani [the Kurdish leader] came to Tehran and saw the Shah.<sup>5</sup> He asked to see me. I would not see him, but I had my Station Chief see him.

All of those arms which were in the program last year have been delivered. It was done with complete security. Also, Barzani has played

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<sup>5</sup> See Document 225.

his hand well. His recent public request for US support was a useful cover.<sup>6</sup>

I still do not think we should give Barzani an offensive capability. The Kurds cannot win against all of those Soviet weapons.

Kissinger: They ought to have enough money so that they can remain a thorn in the side of the government.

Helms: We ought to have a judgment now on what the arms have achieved. We now have new requests from Barzani. They should be reviewed along with what position the Kurds are in as the result of the arms shipments over the last year.

Kissinger: We want to be sure that the Soviets consider the Middle East too expensive an area to play around in.

Helms: I think the Kurds ought to keep after Kuwaiti and Saudi money. The Kuwaitis and Saudis have been reluctant to contribute so far. But I think the Kurds ought to keep pressing them.

I think we could give a little more. But I would do this by increasing their subvention, not their hardware. I think they have the arms they asked for to defend against Iraqi attacks. So I would provide money not equipment for the time being.

Kissinger: What I want is for the Politburo in Moscow to be in a frame of mind not to want to get involved in further adventures in the Middle East. I want them to recall that they were run out of Egypt and that Iraq turned out to be a bottomless pit. I want them to tell anyone who comes with a recommendation for renewed activity in the Middle East to go away.

I want the Shah to help in this strategy. We do not want to push the USSR against the wall. We just want them in a frame of mind where they judge that the costs for activity in the Middle East seem excessive. We also want the Arabs in the area to feel that they cannot get a free ride by linking up with the Soviet Union. We want the Kurds to have enough strength to be an open wound in Iraq.

Helms: Up to now, the Kurdish operation has been first class.

Kissinger: What are they doing with the aid we have given them?

Helms: Nothing yet. You will recall that the purpose of the program was to put them in a position to defend themselves if they are attacked. They have not been attacked so far. The big crunch will come in early 1974 when the current truce agreement runs out.

Kissinger: [1 line not declassified]

Helms: [7 lines not declassified]

Kissinger: What should we say about the Persian Gulf?

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<sup>6</sup> See footnote 2, Document 220.

Helms: The problem there is how Iran and Saudi Arabia can cooperate. These are two stubborn monarchs. The Shah recently sent a note to King Faisal about the islands in the Gulf. It was calculated to make Faisal hopping mad. The Iranians think Faisal is crazy.

Kissinger: *[less than 1 line not declassified]* I've only seen him once.

Helms: *[less than 1 line not declassified]* When Foreign Minister Khalatbari visited Saudi Arabia recently, King Faisal told him that Iran should do two things: Give the Persian Gulf islands back to the Arabs and get all the Jews out of Iran.

Kissinger: Khalatbari is a nothing, isn't he?

Helms: I would say that Khalatbari is a quiet and loyal servant of His Majesty.

Those Gulf islands are not Faisal's issue, but he has made them his issue. The only solution to that problem that I can see is for the Shah to deal directly with the Union of Arab Emirates or the Sheikh of Ras al-Khaima and give them enough money to satisfy them. If they were satisfied about the claim, they might take the issue out of Faisal's hands. The problem is that those Saudis who would suggest something like this can't vote Faisal's stock. They could tell you what a rational solution to the problem would be, but when it gets to Faisal, that is a different story. Anyway, we might try something like this. It's the only formula I have found. I've talked with a lot of people about it.

Kissinger: If Faisal were overthrown, what would the Shah do?

Helms: Why don't you ask the Shah that question? He won't mind. He'll answer you.

Kissinger: Can we afford a Qadhafi in Saudi Arabia?

Helms: I would simply point out that the Saudi oil is entirely the operation of an American company, whereas in Iran Americans are only one part of the operation. I would also point out that Saudi Arabia has three times the oil reserves of Iran. I rest my case. We can't afford to let Saudi Arabia go down the drain. Can we get an Ambassador in Saudi Arabia who will have "RN" branded on his forehead? Thatcher is a fine man, and I don't want to run him down. But we need somebody who has the White House stamp on him. I don't think Frank Lincoln is the person. We need a new face.

Kissinger: Maybe we should send that mad man Clements. I'm just kidding.

Helms: He created my first diplomatic crisis. He used the phrase "Persian/Arab Gulf." I found myself called from a dinner party to the residence of the Foreign Minister after the Shah learned about that. He told me that although the Secretary of State was already in the air on his way to the CENTO meeting in Tehran, the Shah would not receive him

if that phrase was left to stand. Iran, he said, could not refuse to host the CENTO meeting at this late date, but it would not participate.

Kissinger: Clements, at an SRG meeting last week [on the Arabian Peninsula and Persian Gulf, NSSM 181], warned against Iranian designs on Saudi Arabia.<sup>7</sup> He thinks in terms of settling the Arab-Israeli dispute in order to improve our relations with Saudi Arabia. I am all for moving on the Arab-Israeli issue if that's possible, but I don't want the Saudis to make that their primary objective in life. King Faisal looks to me as if he would be pretty intransigent on that subject. We should not get them involved.

Helms: Madness.

Kissinger: Clements wants to pour arms into Saudi Arabia. I would like to get the Saudis involved in South Yemen. We also ought to get an Ambassador of ours out there.

What other areas do we need to cover?

Helms: Jordan. I have not talked with the Shah about what Jordan could do in Kuwait.

Kissinger: What do we need in Jordan?

Helms: I talked with King Hussein in Iran. He was completely undone by the message from Golda Meir that she had had her friends in the United States restore the Senate's cut of \$30 million from the Supporting Assistance budget for Jordan.

Let's see, the Shah will want to talk about Pakistan, Afghanistan, Saudi Arabia, the Gulf, the Kurds and Brezhnev. That will cover the ground.

I just want to bring up one other issue. I have a fellow working with me who used to have very close contacts with Fatah. After the 1970 troubles in Jordan, he knocked off his contact. The contact recently turned up again, however, and wanted to see my fellow. I told him to go ahead and re-establish the contact once on my authority. No one here in Washington knows of this. I do not even know who the contact is; I do not want to know. But I can guarantee you that he is one of Arafat's right hand men. Here is a memo that I prepared on this meeting [Attachment C].<sup>8</sup> The issue is whether you want to have policy talks with the fedayeen or not.

Kissinger: I will think about it. [To Saunders] Look at this with an eye to what we can put into this channel.

At this point the note-taker left and the conversation continued for another ten minutes.

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<sup>7</sup> See Document 23.

<sup>8</sup> Attached but not printed is a July 18 memorandum on the subject of "Contacts with the Fatah Leadership."

Ambassador Helms also left a memo on some miscellaneous items [Attachment D].<sup>9</sup>

Harold H. Saunders<sup>10</sup>

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<sup>9</sup> Attached but not printed is a July 18 memorandum on “Miscellaneous Policy Items.”

<sup>10</sup> Saunders initialed “H.S.” above this typed signature.

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## **25. Memorandum for the President’s File by the President’s Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, undated.

### **SUBJECT**

Meeting with His Imperial Majesty Mohammad Reza Shah Pahlavi, Shahanshah of Iran on Tuesday, the 24th of July, 1973 at 10:43 a.m.–12:35 p.m., in the Oval Office

### **PARTICIPANTS**

The President  
The Shah of Iran  
Dr. Henry A. Kissinger

The Shah: The French have changed. There is no longer the “*folie de grandeur*.” They are afraid that the U.S. will leave Europe.

The President: De Gaulle is what the French needed at the time. But no one wants the United States to leave.

The Shah: The Soviets always want to blackmail. The Germans are scared by Brezhnev’s shock tactics. The Russians tried it on us, but I

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS-28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 30 May ’72–15 Sept. ’73. Top Secret; Sensitive; Exclusively Eyes Only. The Shah and Empress of Iran were in Washington for a State visit July 24–27. According to a July 23 briefing memorandum from Kissinger to Nixon: “We are generally satisfied with the way our relations with Iran, and Iran’s perception of its role in the Persian Gulf area, have been evolving. A strong Iran can be a useful counter to the spread of radical and Soviet influence, especially if the Shah can help strengthen Jordan and Saudi Arabia. We want the Shah to be convinced that we have a coherent strategy in his area and regard Iran as playing a pivotal role.” (National Archives, Nixon Presidential Materials, NSC Files, Box 920, VIP Visits, Visit of the Shah of Iran, July 17, 1973)

told them, "If you use a situation-of-strength policy, we will use it too." The Soviets must know that we have decided to remain independent.

The President: And that you are willing to die for it. Not many are.

The Shah: The Pakistanis are. We will not let the Pakistanis disintegrate. I told Singh we would restrain the Pakistanis. India has no right to tell us what to arm any more than we will tell them what to arm. I told Singh that we would consult before we did anything.

The Soviets' strategy has succeeded in Afghanistan. Even if it was not a Russian coup, they must have known about it. It was done by 50 young officers who will use Daud as a figurehead. Then they will push to the Indian Ocean. It is the same problem in Iraq. You are helpful in Iraq. It is important for psychological reasons that the Kurds know that the great United States is behind them. *[less than 1 line not declassified]* Turkey is a little reluctant to cooperate. Turkey has always had a weakness for Iraq and a fear of the Kurds. We are preventing a coalition of the Baathis, the Kurds, and the Communists. We are preventing this. On the other side is Afghanistan—why have they done this? Because the Afghans were becoming truly neutral. They had refused the Soviet call for an Asian security conference when Podgorny visited there. Why did they proclaim a Republic? Because they know they must have a leftist coloration. If they push Pushtoon agitation, we know they will try for the Indian Ocean. Is this to isolate China or crush us? The objective may be both. We have recognized Afghanistan in order to remove any pretext for Soviet action.

In the South they are helping the Sultan of Oman. Chinese activity has dropped and the Soviets have replaced them. The Chinese Foreign Minister made a strong statement in Tehran last month supporting Iran's foreign policy. I tried to talk to the Saudi king. He is impossible. Nothing stands in the way of the collapse of the Saudis and Kuwait except the poor little Kingdom of Jordan.

I can assure you we will never accept anything from the Russians incompatible with our independence and progress. To resist we must have progress in our own country. The farmers and workers must have a sense of participation. With a society in which there is a sense of participation, we will be immune to sabotage.

We shall work for peace as much as we can. We think America should find some formula to get things moving in the Arab-Israeli dispute. We should not leave the Arabs in complete despair or else Sadat will lose control. We are not interested in the opening of the Suez Canal but Israel should make concessions. Israel should be given guarantees.

We are looking for a navy. I hope you will help us. I have invited Hughes and Westinghouse to establish an electronics industry. But our navy and armed forces are not a good enough customer. Couldn't we



start co-production? We can control prices and do better by you than Japan. We have a large shopping list.

Dr. Kissinger: India has already protested!

The Shah: But I have pulled their teeth by accepting consultation. I have given some Communist countries access to our refineries because I must prevent a ganging up of the entire Communist world against us.

I am having a pipeline built to Europe so that they feel our security is inseparable from European security. The only viable oil-producing country for Europe is Iran. If I can link my country to Europe by a gas line, they have to pay attention to us. Thus Russia can't use détente with Europe and toughness with us; they must link détente with us to détente in Europe. They can't take our country intact. That is my best weapon in the absence of atomic weapons.

I am building up our agriculture. I hope we can buy your produce in the interval.

Iran soon will produce 15 million tons of steel, 11 million by a new method. This way we can produce steel much more cheaply than even India. We are building an auto industry—we are even exporting buses. We can make Mercedes trucks better than in Germany. They have the problem of foreign workers in Germany. The better solution for them is to produce abroad. We can sell these products in the Middle East better than Germany.

The Japanese are very clever.

We are also getting into Africa, for altruistic motives. Africa is in terrible shape. There are no governments, only tribes. We are improving our relations with South Africa. We are sending our former Chief of Staff there as a Consul.

Our relations with Egypt are okay. With Tunisia, they are better than okay. Algeria practices moderation but preaches extremism. Their government, though, is working. The Turkish government is stronger and our relations are better. I hope the election in the fall will give them strength.

We have good relations with Britain. Pompidou stopping in Tehran on his way back from Peking.

The President: How about Jordan?

The Shah: We must preserve it. I can't understand that Kuwait and the Saudis are increasing their aid to Arafat. It is insane. The United States should help in the Middle East. This defuses the Arab-Israeli dispute and it reduces Soviet influence. Thirdly, Egypt is moving towards the Saudis who can moderate the Egyptians by using oil policy.

Oil policy is sufficiently crucial. We have asked for atomic stations even for Iran. The normal trend will be that oil will rise in price until

shale or gasification of coal becomes profitable. We have produced stability in the oil negotiations. No other country can do this.

The President: It has been very helpful to get your survey of the situation. Your analysis convinces me that it is indispensable that we have a policy of total cooperation. I want Dr. Kissinger to follow through on naval forces, breeder reactors, etc.

I see the world and the part Iran plays pretty much as you do. As you know, we had highly publicized and very lengthy talks with Brezhnev. Much of it was protestations of peace. The rest was tough. Why do the Soviets want détente? With respect to SALT, it was a long and tortuous process, though the Soviets may have concluded that the arms race is unwinnable. We have no illusions. We are not fooled by good personal relations. Cooperative ventures between us and the Soviets may not help much—but it doesn't hurt much either. We are not taken in by rhetoric. We know that their goals are different from ours. The Soviets are betting on the possibility that the impression of condominium will undermine our alliance. On the European front, the Soviets in the arms control talks want us to weaken our European forces. We are cooperating with the French nuclear program. The Germans are the weakest country psychologically.

Their most difficult problem is China. The USSR is pathological about China. They are looking ahead 20 years. They see the ominous character of China and our relationship as a threat. They will do anything to isolate the Chinese. What game will we play? I call it an even-handed game. If the Soviet Union can crush China, the world will not be safe.

The Shah: That's the irony of it all.

The President: On our relations with China: We can't arm them. But we can do anything short of it. China is no longer pressing for the expulsion of the U.S. from Japan or for the disintegration of NATO. Look at problem of India. We played a role in the India–Pakistan crisis to keep China from being isolated. The Soviets want to wreck Iran because once that is destroyed they have only the minor squabbling principalities to deal with. We must checkmate them everywhere.

Let's turn to the Middle East. We recognize that the UN can't work. You understand the Israelis despite your natural tendency towards the Arabs.

The Shah: No, our natural tendency is towards Israel.

The President: I want you to know that we will do something. The Russians are obsessed with the question. Why? Because they don't want to be on the losing side, and, secondly, because they feel frustrated. I have a great personal concern on the issue. It summarizes my attitude to say that you can be very helpful.

As I look back on the first time we met, the big change since then is China and the big problem is your neighbor to the north. That's my problem.

The Shah: That's exactly my view. I don't have any other view. The whole world situation depends on the Soviet-Chinese confrontation. In 25 years the evolution is hard to predict. They may play the opposite game. Russia has its own internal problems.

The integrity of what remains of Pakistan is essential. We have to defuse the danger of the Middle East. India has never respected any agreement. I told Kosygin that we can destroy Iraq in a few hours. If we have the power you can afford to be wise. We must have the deterrent power of the Air Force.

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## 26. Memorandum of Conversation<sup>1</sup>

Washington, July 24, 1973, 4 p.m.

### SUBJECT

Meeting between the Shah of Iran and the Secretary of Defense

### PARTICIPANTS

#### *Iranian Side*

The Shah

Ambassador Ardeshir Zahedi

#### *United States Side*

DoD

Secretary of Defense—James R. Schlesinger

Deputy Secretary of Defense—William P. Clements

Chairman, Joint Chiefs of Staff—Admiral Thomas H. Moorer

Assistant Secretary of Defense (ISA)—Robert C. Hill

Chief, ARMISH/MAAG Iran, Major General Brett, USAF

#### *State*

Ambassador Richard Helms, U.S. Ambassador to Iran

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL 7 IRAN. Secret; Sensitive; Exdis. Prepared by Brett and approved by Hill. The meeting was held at Blair House. In his briefing memorandum to Schlesinger, July 24, Hill reminded the Secretary: "Following President Nixon's visit in Tehran in May 1972, the Shah told our MAAG chief that he had received a major understanding from the President to the effect that Iran could get all available sophisticated weapons short of atomic bombs." (Washington National Records Center, OASD Files: FRC 330–78–001, Box 69, Iran 091.112, 1973)

*Summary*

The meeting, lasting slightly over one hour, was conducted in an informal and cordial atmosphere with the Shah leading the discussion which covered a wide range of subjects. The Shah opened the discussion by stating his pleasure at having a U.S. Air Force officer assigned as MAAG Chief since his current emphasis is on air power, with Navy modernization also to be given special consideration. He expressed Iran's continued willingness to sell oil to the U.S. but stated that it must be at comparable prices to what Iran pays for U.S. commodities before U.S. inflation. In this context, he said that the settlement between Iran and the oil companies was a "brilliant breakthrough" and good for twenty years.

The Shah discussed the situations to his West and to his East. The situation in the West is unchanged and still threatening but the coup in Afghanistan will force him to provide a deterrent force in that area as well. He also expressed his concern for the viability of Saudi Arabia since, if Afghanistan could fall, so could Saudi Arabia. And if it did, Saudi Arabia would become extremist like Libya. He discussed at some length the encroachment of the Russians throughout the Horn of Africa and within South Yemen, as well as the distinct possibility of Russian influence in Afghanistan which would allow the Soviets to achieve a base in the Indian Ocean. The implication of his statement seemed to be that this would be achieved at the expense of Pakistan.

In consideration of these events, the Shah firmly believes he must have sufficient air power (F-14's, F-15's and possibly A-10's) to deter his enemies ("Russian puppets") and, if necessary, strike them on their own territory. He also believes Iran must go into the Indian Ocean with a capable Navy, if it is to be a viable power within the region and assume the proper responsibilities of a country having Iran's capabilities.

The meeting ended on the note that further discussions of a similar nature would take place at the meeting on Thursday, 26 July.

*Discussion*

The meeting began slightly after 1600 and lasted for approximately one hour. It was conducted in an informal and friendly manner with the majority of the comments being made by the Shah, either at his own initiative or in response to questions by Secretary Schlesinger or Deputy Secretary Clements.

After the initial greetings, during which General Brett was introduced as the new Chief ARMISH/MAAG, the Shah stated his pleasure at having an Air Force officer as the new Chief. His reason for this is that the current emphasis in Iran is on the Air Force, although the Navy will also receive increased consideration. The Navy must receive atten-

tion in the immediate future, as there is a need for Iran to go into the Indian Ocean.

The Shah then shifted to the question of oil. He emphasized Iran can not sit on it, but must move it into the world's markets. However, Iran expects to trade oil for U.S. commodities at comparable prices to what Iran pays for those commodities before the impact of U.S. inflation. He emphasized that inflation was a U.S. problem, not Iran's, and if the U.S. wanted Iranian oil, it must be prepared to pay the price. (*Note:* The implication was a dollar price and not a political one.) The Shah added that Iran has come to terms with the oil companies, and believes this issue is settled for the next twenty years. He emphasized that he believed this to be a "brilliant breakthrough."

Secretary Schlesinger then commented about the indications of developing stability to the West (of Iran), and requested the Shah's views on the use of his Air Force and Navy in the future. The Shah responded that the Air Force was needed to "sweep from border to border." Iran needed an Air Force with the striking capability to take care of local dangers, without causing a confrontation between the major powers. In this way Iran would have the best deterrent possible. The capability to destroy enemy equipment by air power prior to its commitment against Iran—which ground forces cannot do—allows Iran to "liquidate" the problems while the major powers are engaged in a dialogue over their hot lines. The Shah emphasized, at this point, that Iran would be wise and not misuse its military forces.

The Shah continued that there is a danger in the coalition of the Baathist Parties (of Iraq and Syria) since he was not sure that their power will be used against Israel. In fact, in the recent past the Syrians have used their military power against Jordan. Some other Arab countries talk of doing away with Jordan and forming a Palestinian state and such a state would have to adopt an extremist policy, one that would be ultra-nationalistic. If Jordan goes, there would not be much chance for Saudi Arabia to continue under its current moderate regime. If Afghanistan was ripe for a coup, Saudi Arabia is much riper and if this occurred, Saudi Arabia would also go the extremist route. Secretary Schlesinger then inquired if the Shah meant like Libya and the Shah responded that this was exactly what he meant.

The Shah then turned to his East, specifically addressing the coup in Afghanistan. He said that if it were just a change of monarchs, then we could expect more of the same. But it was not; Afghanistan is now a Republic, but not in the sense that the U.S. views a Republic. (*Note:* Inference being it is not democratic and leans toward Communism.) Moreover, President Daud is probably only in temporary control and he could readily go, with the country moving rapidly under control of the Soviets. Thus, it is a most significant event and could promote a

move by the Soviets to go to the Indian Ocean. (*Note:* The implication was that the Soviets would support a move through Pakistan to the Indian Ocean.) The Soviets would then encircle Iran and at the same time encircle China.

Given this situation, the Shah said his Air Force must be strong enough to destroy the Iraqis and any other “Russian Puppet Regime” within the region. In addition, Iran must build up its Navy for Indian Ocean operations. He added that Iran was not being eccentric, since it had the money and the people. However, speed-ups (military increases) would be based on the world situation, since he desired to build his forces with emphasis on quality.

As an example, the Shah pointed out that in response to queries about the mix of F-14’s and F-15’s for his Air Force, his answer has been that he would use the F-14 for aerial supremacy and the F-15 for aerial superiority. He stated that in his letter of intent he had asked for 3 squadrons of F-14’s—9 aircraft per squadron with 3 replacement aircraft—but he actually preferred 2 squadrons plus 2 replacement aircraft. However, in view of the enormous air space he must cover, 3 squadrons of F-14’s appeared necessary. With respect to the F-15, he was interested in 4 squadrons. (*Note:* In his meeting with General Williamson on 9 July 1973,<sup>2</sup> the Shah talked of 3 squadrons of F-14’s and 3 squadrons of F-15’s for a total of 30 and 50 aircraft, respectively, with a possible mix of 2 squadrons of F-14’s and 4 of F-15’s.) He stated he needed the four squadrons of F-15’s in order to have the flexibility to switch from area to area. His air defense radar is overlapping and can handle aircraft throughout the country, but now, because of the Afghanistan coup, he must cover the East with fighter aircraft.

The Shah stated that he is looking at the A-10, since it would allow him to release the F-4E’s and even the F-5E’s for the air defense role for which they, particularly the late model F-4E’s, are best suited. The A-10 appears to be very well designed for the support of ground forces, and this would be an economical use of all of his air power. Moreover, he will soon have an aerial refueling capability (six new KC 707’s) and can also convert the 707’s in his commercial air fleet to aerial tankers and replace them through the purchase of new commercial airliners, either multi- or tri-jet types.

Secretary Schlesinger commented that in our judgment Iran should wait for the full development of the F-15, and an Iranian decision on the F-15 might be premature at this time. The Shah responded

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<sup>2</sup> On July 9, outgoing ARMISH/MAAG Chief Major General Williamson met with the Shah at his summer cottage on the Caspian. The memorandum of conversation was transmitted in telegram 84185 from ARMISH/MAAG Tehran to the JCS and the Secretary of Defense on July 10. (*Ibid.*)

that he agreed, but if the F-14 was ready, Iran would take it. But it would, however, be a pity to use the F-14 for other than the improved Sparrow or Phoenix role. He believed it could be equipped with a 20mm gun or even a 30mm gun. (*Note:* The implication was that the F-14 could be used in the air superiority role intended for the F-15 in the interim period before the F-15 was acquired.) Deputy Secretary Clements then pointed out that the new engine—"B engine"—for the F-15 has the same core as the new F-14 engine and that this engine is moving ahead. However, it is a year to 18 months away. The "B engine" could fit into the F-14, with the current model F-14's being retrofitted to this engine, if desired. The Shah responded that this did not appear to be a problem as he was not sure that Iran would be ready for the F-14 before that time.

The Shah then directed his comments to his Navy stating his desire to equip his ships with the Harpoon, Standard and Sea Sparrow type missiles; and perhaps in the future, if developed, a laser-guided weapon. He added he believed that in order to get into the Indian Ocean, he needed ships of the Spruance class destroyer and asked Admiral Moorer for his views. Admiral Moorer responded that he agreed and that the Spruance class destroyers possessed good growth potential and were equipped with the new gas turbine engine. The Shah commented that we must study the Indian Ocean together. He also questioned if Iran could go into the area without submarines. Admiral Moorer replied that the value of submarines in the area would be in the anti-submarine role. He added, however, that he believed the first steps should be the acquisition of surface ships and maritime patrol aircraft, with submarines being out at the end of the line. He also remarked that the Persian Gulf was not suitable for high-performance submarines. The Shah commented on the effective use of helicopters for mining, and pointed out that the straits leading into the Gulf could be closed in three hours with helicopters. Admiral Moorer agreed that this was possible remarking upon our experience with mining in South East Asia.

The Shah then turned the discussion to the subject of Iran's military capabilities, pointing out that he had told both his friends and his enemies of the direction in which Iran is moving. In terms of population, Iran in ten years time will be the equal of today's population of France, the United Kingdom and Germany. He then gave some impressive figures on Iran's current production for oil, steel, copper and aluminum and pointed out that in five years time, Iran hoped to have atomic power plants, if the USG was prepared to sell them. Thus, as an industrial nation, Iran possessed a natural export market since it has everything in-country needed to be productive; gas, steel, copper, and an effective working force. Iran was not plagued by strikes or other labor problems because of profit sharing by its workers. Therefore, it

would be difficult for any country to compete with Iran, as by working and producing Iran can best the other regional countries. Because of Iran's capabilities, it has to assume its responsibilities in the world, in much the same manner as has been done by the United States. He added Iran realizes it cannot have a military machine overnight. For example, it will take four years to acquire a Spruance class destroyer, but five years from now Iran will be different and so it can and must do these things.

Secretary Schlesinger then asked the Shah how he viewed the pressures from the Soviet Union. The Shah asked whether the Secretary meant by proxy, or by direct pressure. Secretary Schlesinger stated he was interested in both. The Shah responded that the indirect pressure through the Iraqis is unchanged. With regard to the direct pressure from the USSR, he has told the Soviets that Iran will fight to the end and will never surrender with the country intact, but will completely destroy it. Iran's deterrent is their determination, which has been openly declared. The Shah said he responded to the President's greeting today (A.M., 24 July 1973) by stating that Iran will fight and die for freedom.<sup>3</sup> Moreover, the Soviets cannot accomplish their aim through subversion, as the workers are part of the government and country through profit sharing. Sabotage could be used but it would be ineffective, as it could be confined to occasional bombing resulting in little damage. To our great sorrow they can kill some people, such as was done recently to an American. (The recent murder of Lt Colonel Hawkins, USA assigned to the MAAG.)<sup>4</sup> However, these people know they can expect from the government similar treatment, and therefore, their overall efforts are splintered, small and ineffective.

Deputy Secretary Clements asked the Shah if there was a different approach by the Iraqis. The Shah responded that the Iraqis had asked why Iran was arming and Iran had responded "for the same reason that Iraq was engaged in an arms build-up." Deputy Secretary Clements then asked if the Shah was comfortable with the gas arrangement (gas treaty with Russia). The Shah responded that it was worth two divisions, as it generates money and does not swallow it up as do divisions.

Deputy Secretary Clements asked for the Shah's comments on the South Yemen (YAR) situation. The Shah responded that North Yemen had asked for help from Iran. Iran was concerned about the Saudis' role, since in the past, the Saudis could have helped but did not. Iran believes that maybe their quarrels were such that the Saudis could not or would not help. Iran felt that as a country North Yemen must remain

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<sup>3</sup> The President's welcoming remarks on the morning of July 24 and the Shah's response are printed in *Public Papers: Nixon, 1973*, pp. 660–662.

<sup>4</sup> See Document 18.



free from the Communists. North Yemen has nothing, while Aden (South Yemen–PDRY) has a great deal. Even China is behind us, as they have moved out of the area. However, the Russians have moved in and taken over and are even backing the Dhofar rebellion. North Yemen must be helped, certainly with money. Like Jordan, North Yemen must not be allowed to fall. Here again is a Saudi inconsistency, as they are putting money into Arafat's hands to bring about a Palestinian state in Jordan, which will cause serious problems for all stable countries in the region.

Deputy Secretary Clements then asked the Shah if he believed that Aden (South Yemen) threatened Oman. The Shah replied in the affirmative remarking—"why have the Russians furnished them with MIG-21's and other modern military equipment"? The Shah added that one must not forget the entire Russian policy dating back to Alexander the Great—the desire for warm water ports. During World War II, Stalin asked Churchill for a port in the Dardanelles, as well as elsewhere; Churchill always refused. Since then the Russians have been gradually creeping into the Mediterranean, and wherever they can. There have been periods when the Russians have had more ships in the Mediterranean than the USG. They moved into Egypt, almost got the Suez, and are now in Aden, Somalia (Djibouti) and the island of Socotra. We can not shut our eyes to the in-roads the Russians have made. By beefing up their efforts in Somalia and Socotra, the Russians clearly threaten Ethiopia, and once Haile Selassie is gone, Ethiopia will be in grave danger, as his son is ineffective. In consideration of such a happening in Iran, Iran has changed its constitution to allow the Empress to succeed the Shah, if necessary. This has not been done in Ethiopia; Haile Selassie has made no provisions for his passing.

The Shah stated that as a result of these events and the overall situation, Iran must take a more and more important role in the Indian Ocean. He has openly established closer relations with South Africa, without any protests from Black Africa.

The Shah then commented that he could go on and on, but that time was running out. He informed Secretary Schlesinger that during their meeting on Thursday (26 July 1973) he would be most happy to answer any further questions. The meeting was terminated on this note.

27. Memorandum of Conversation<sup>1</sup>

Washington, July 24, 1973, 5–6:40 p.m.

## PARTICIPANTS

The Shah of Iran  
 Ardeshir Zahedi, Ambassador of Iran  
 Henry A. Kissinger, Assistant to the President for National Security Affairs  
 Richard Helms, U.S. Ambassador to Iran  
 Harold H. Saunders, NSC Staff

Photographers were invited in at the beginning of the meeting, and the Shah and Dr. Kissinger engaged in some private conversation during the picture-taking. As the other participants joined them and the photographers left, the conversation began as follows:

Mr. Kissinger: Your discussion this morning with the President revealed a general harmony of views.<sup>2</sup> This is important so that, even if there may be some tactical disagreement, we can be confident that we are heading in the same direction.

The Shah: I do not even see that kind of limited disagreement. Your policies with the Russians are wise. This is a time for ending the period of confrontation and beginning negotiation, as long as you have your eyes open. Your eyes are open.

Mr. Kissinger: Our strategy has been to create an environment within which the Soviets will be forced to take hostile acts, if they do, from as peaceful a base as possible. Our hope is to put them at a psychological disadvantage in doing this.

The Shah: We shall have to look closely at the new situation in Afghanistan. [The King of Afghanistan had been removed by a coup a week earlier.] We shall see if the Soviets push their advantage there. That will be a significant sign of whether they are actively pursuing a policy of isolating Iran and China at the same stroke. We shall see whether they try to tell the Afghans that they can move only with Soviet assent. It was a pity that the coup took place. The Afghans had been trying to form ties with the non-Communist world.

Mr. Kissinger: I plan to talk to Dobrynin about this. I will let him know that we would not be indifferent. I raised the subject the other day, but only in a general way. I said that if it were purely a local affair,

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS–28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 30 May '72–15 September '73. Top Secret; Sensitive; Exclusively Eyes Only. The meeting was held in the Shah's Reception Room at Blair House. All brackets are in the original.

<sup>2</sup> See Document 25.

then it would not be a U.S. concern. I recognize that it is a serious Pakistani concern. I shall be more explicit in my next conversation with Dobrynin. If he says anything significant, I will inform you through Helms.

The Shah: I saw Bhutto [President of Pakistan] yesterday in London. He will be patient with the new regime in Afghanistan and is prepared even to hold talks.

Mr. Kissinger: He can't talk about Pushtunistan, can he?

The Shah: He can always talk. The Pakistanis had talks with the Afghans on this subject before. Bhutto is not prepared to accept any monkey business. He said he would knock on the Afghan heads if necessary.

But if we make it clear to the other side that we are not going to accept any monkey business, they will think twice before doing anything foolish. As I explained to the President and to Secretaries Rogers and Schlesinger,<sup>3</sup> just the power of being able to knock out Soviet protégés will make them think twice.

Mr. Kissinger: You mean Iraq?

The Shah: All the countries who lean on them for support. The Chinese are terribly annoyed about what happened in Afghanistan.

Ambassador Zahedi: The Chinese Deputy Representative in Washington is very upset about the coup in Afghanistan. He thought the Soviets were behind it.

Mr. Kissinger: Han Hsu?

Ambassador Zahedi: Yes.

The Shah: They expressed the same view in Tehran, too. The Chinese have tried to befriend us. In some points that is a good thing. However, we are being careful not to antagonize the Russians. We have a long border with them. Our policy is not to insult them but to show them that adventures in our area will not work.

Mr. Kissinger: That they will pay a price for any such adventures.

The Shah: Yes. Our connection with Europe through the supply of energy will link Europe to our country. The Soviet détente in Europe will not permit them to use their détente against Iran because the Europeans will be engaged in a close relationship with Iran.

Mr. Kissinger: I found that one of the most interesting points Your Majesty made to the President this morning.

The Shah: I am glad you found that point interesting. We talked with Secretary Schlesinger about Yemen and Ethiopia. It is important to

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<sup>3</sup> See Document 26. A record of the Shah's July 24 conversation with Rogers is in telegram 149266 to Tehran, July 30. (National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

see North Yemen put into a position where it can hold its own against the Marxist regime in Aden.

Mr. Kissinger: [To Saunders] Where do we stand on that memo on South Arabia?<sup>4</sup> [To The Shah] We have two problems in our government: One is to get the State Department to move and the other is to get the Saudis to move.

We are trying to checkmate Soviet influence wherever it appears and to exhaust them in any adventures they may pursue. We want to create a frame of mind in the Politburo that is tired of costly activities in the Middle East which do not produce results. We want to do this without confronting them. We want them simply to recognize that they pay a price for this kind of policy.

We want the Saudis to put pressure on South Yemen. Not everyone in our government agrees with this strategy. However, we will force this policy through a series of ad hoc decisions which will then be leaked to the press.

The Shah: We must try to think what we will do with the Saudis.

Mr. Kissinger: What can we do?

The Shah: There are three things. First, we can urge the Saudis to drop their old feud with the North Yemenis. We can urge the Saudis to help those poor people in Yemen; they are really poor. We must do this so that they can stand up against the regime in South Yemen. That is a completely Marxist government there. They are getting MIG-21s from the USSR, and they are piloted by Cubans. The Chinese have completely abandoned their support for the rebellion in eastern South Yemen.

Mr. Kissinger: We worked that out with the Chinese. We told them that our policy was based on Iran and Jordan—secondarily on Jordan. The Chinese said they could not do much with Jordan but they could work with Iran. They said they would reduce their support for the rebellion in South Arabia. Do you feel they have?

The Shah: Yes.

The second thing the Saudis should do is to help Oman. They could provide money for schools and hospitals there.

Mr. Kissinger: When you have concrete proposals on something like that, could you give them to us? We have good intentions, but sometimes our knowledge is not so good. Could you develop some ideas on this subject and give them to our Ambassador to report to me?

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<sup>4</sup> See footnote 2, Document 23.

The Shah: Yes. We are especially concerned that the Saudis help Jordan. If anything happens to Jordan, we would shortly see things happening to Saudi Arabia and Kuwait also.

Mr. Kissinger: We are holding back \$10 million from Jordan at this point to increase Jordan's need and to force the Saudis to contribute more to Jordan. Anything Iran can do to persuade Kuwait and Saudi Arabia to give more at this point would be very useful. I think Jordan could use about \$30 million more this year.

The Shah: Imagine cutting aid to King Hussein and giving more to the Palestinian terrorists! What does Hussein need now? He needs some retrofitting of his tanks. They should be dieselized too. We can do that in our tank retrofit factory, but we would need the engines and the transportation of the tanks back and forth between Jordan and Iran. We also have a plan to do this with Turkish tanks.

The third thing the Saudis can do is to help with the defense of Kuwait. Kuwait can not be defended from Kuwait itself. Kuwait is so small that its early warning system will never be adequate to permit defense by fighters in time. Bombs can even be dropped from planes almost across the border. Kuwait must be protected by Jordan or Saudi Arabia. But they need additional air base facilities—Jordan in the south and Saudi Arabia in the north.

Mr. Kissinger: What could Iran do to help defend Kuwait?

The Shah: We would help if we were asked.

Mr. Kissinger: Even if you were not asked?

The Shah: If we were not asked, we would have a problem with the Arabs. We have offered three formulas to the Arabs for maintaining security in the Gulf:

(1) We have offered a security pact like the NATO Treaty which would provide that each party would automatically come to the defense of the others if they were attacked. This would include Iran and all the other states in the Persian Gulf.

(2) If the other states are not ready for a pact like that, we have told them that they should make a pact among themselves and then they as a group could sign an agreement with Iran—with both sides as equals.

(3) If they don't like that, we could then all make a declaration of our intentions to the effect that, if anything happens, we would stick together.

You will remember that a year ago in Tehran I told you if we, the states in the Gulf, could do that, the U.S. could get out of the Gulf. But if that is not possible and if the Soviets come in with a 17-ton cruiser, you will have to do the same.

The other states in the Gulf are hesitant to join in any such security cooperation. Kuwait is afraid because it has so many Palestinians. The

Saudis say it is a good idea but feel that we will have to give up the "Arab Islands" in the Gulf. I asked them, "What 'Arab' Islands?" All of those islands now occupied by Iran are shown as Iranian on the British admiralty maps and even on the Soviet maps. They seem to want an excuse not to participate. Why?

Zahedi: There is an additional idea. In case no pact between the Arabs and Iran is possible it might be desirable to have an understanding of what our American allies would do if Iran were to help Kuwait. For instance, could the U.S. take a strong stand so that there would be no difficulties in the UN.

The Shah: If we could get a regular pact, that would be better. If not, there is no reason why we should see Soviet boats in the Gulf and not American boats.

Zahedi: The Shaikh of Sharjah was here in Washington several weeks ago, and I entertained him at the Embassy. He is willing to join a pact.

The Shah: They are all willing until it comes down to the question of taking a decisive step. They are all afraid of Saudi Arabia. The worst enemies of an Arab country are other Arab countries.

A more important issue is what the Americans could accomplish by helping to defuse the Arab-Israeli stalemate. An American role in doing this would help the U.S. to gain a dominant position of prestige in the area. It would also help to gain time. It would gain time to see what is going to happen in Saudi Arabia. It would give more time to Sadat. He has told his people many different things in order to gain time. In the end, continuation of the stalemate is not even helpful to Israel. What can be done? The UN is impotent. Jarring was a failure from the beginning. Egyptian Foreign Minister Zayyat says that Egypt would accept the Rogers plan. In short, some U.S. initiative would be very much welcomed.

Mr. Kissinger: I would like to talk about that in a minute. But could we for a moment go back to the questions of Kuwait and Saudi Arabia to finish off that part of our conversation first?

We have a lot of areas to deal with. Our intent in this area is good, but sometimes our knowledge is weak.

One issue is what should be done if there were a Qadhafi-type takeover in Saudi Arabia or Kuwait. We have discussed this issue within small circles inside the U.S. Government. If we wait until after it happens to talk about it, it will be too late. I thought I might take advantage of Your Majesty's visit here to get your ideas on what might be done in such a circumstance. Obviously, we should do everything to begin with to prevent such a situation from developing, if we can. We would welcome Your Majesty's ideas on that subject. A lot depends if

such a situation develops on who can do what. There is a normal tendency to wait and see how a situation like this evolves. But then it is often too late.

The Shah: We should study this together. We should have a contingency plan.

Mr. Kissinger: We have a very small group within the U.S. Government studying the subject now. It must be kept to a small group. Otherwise there will be leaks.

The Shah: Yes. This is not something for that fellow—what is his name?—Anderson to publish.

It would be useful to find a few Saudis and Kuwaitis who could be counted on if such a situation came about. If anything happens, it would be useful to have a few of them ask Iran for help, even if they do not constitute a recognized government.

I remember when the Soviet forces invaded Czechoslovakia that the Soviet Ambassador came to me to explain the action, and I asked what justified this intervention. He said it was justified by an “appeal of the Czechoslovaks.” I questioned exactly what he meant. Iran protested the Soviet action. A few days later, the Soviets changed the government and at that point there was nothing further I could say because they were in a position to say that the Government of Czechoslovakia had asked for their help.

If there could be an understanding with some of the people in Saudi Arabia or Kuwait, that would put us in a position to move. If we had had an understanding, for instance, with the King of Afghanistan, he might have been flown secretly to some point in Afghanistan after the recent coup and appealed for help.

Mr. Kissinger: We have no intention of accepting a Qadhafi in Saudi Arabia.

The Shah: If there were a coup, it would be useful if some of the Princes like Fahd and Sultan could send a telegram asking for help.

If there were an illegal coup, I could have my parachute brigade and some of my C-130s in Saudi Arabia in a very short period of time. I have heard from Secretary Schlesinger about some additional ways to upgrade my airlift capability. I could have a division in Saudi Arabia in a few hours. They could be followed by helicopters. The TOW missile could take care of the armor; gunships could take care of artillery.

Mr. Kissinger: Does Your Majesty have plans now? Or would the plans have to be developed?

The Shah: The plans would have to be made. One problem is that King Faisal will not cooperate.

Mr. Kissinger: It would take our army five days to make a plan. By that time the coup would be complete and entrenched.

The Shah: I can have the plans made. I could make the plans tomorrow myself. I am a soldier by profession. We might even have a visit by Prince Fahd.

Mr. Kissinger: The diplomatic scenario will be very important. In a situation like this it may be very desirable to move quickly.

The Shah: Yes. We should take this up.

Zahedi: Your Majesty will remember that he insisted that we should move in Iraq in 1958 but the British and the Americans waited.

The Shah: Not so much the Americans. I was in Turkey at the time and the Foreign Minister told me that the Americans would move quickly.

Zahedi: Then later on when trouble developed in Jordan and Lebanon, the Americans said we should let Iraq go and concentrate on Jordan and Lebanon.

The Shah: If we can cooperate with the Saudis, so much the better. But we could have a contingency plan for moving. Then we could say if there is trouble that certain predesignated people had asked for help. We Iranians would not stay in Saudi Arabia.

Kuwait would not be that easy. If Iraq began an invasion at breakfast time, they could take Kuwait by noon. However, the Kuwaitis are showing some willingness to think through their problems again.

Mr. Kissinger: We are selling them some arms. Does Your Majesty have any objection to this?

The Shah: Not at all. Sell them as much as you like. But Kuwait will have to be defended by Jordan, and what is really important is to help Jordan.

Mr. Kissinger: We agree completely.

The Shah: Give them the possibility to help the Kuwaitis. King Hussein seems ready to fight.

Mr. Kissinger: Hussein is a heroic man.

The Shah: He needs an air base in the south of Jordan.

Mr. Kissinger: What's keeping that from being developed?

The Shah: Money. Also, the Jordanians are begging for one more C-130. It does not make sense for him to operate just one plane.

Mr. Kissinger: If Your Majesty's visit achieves nothing else, Jordan will get that one more C-130.

The Shah: We can give loans. But we are going to build up our own forces. We have to concentrate first on the air force. I am glad you are sending an Air Force officer to head your MAAG in Tehran. We will concentrate now on the air force. In the longer run we will work on the navy but not at the expense of the air force.



It is important that the other side know that we can destroy their puppets.

At the same time, it is important to recognize that a coup in Saudi Arabia may have nothing to do with a Soviet grand design. It could come about entirely from other forces.

Mr. Kissinger: As you develop your contingency plans for Saudi Arabia, it should be discussed with no one except Helms. It can not be discussed in telegrams. That will mean that Ambassador Zahedi will not be able to be informed by written communication.

The Shah: I agree. We do the same in our communication with the Kurds. We have nothing but oral communication.

Mr. Kissinger: As for the Kurds, we will do what can be absorbed. I gather Your Majesty thinks both of us could provide more assistance. If you think more needs to be done, we will seriously consider it.

Helms: Your Majesty, I worked out with Dr. Kissinger yesterday a review of the present situation.<sup>5</sup> The arms that were agreed upon a year ago are now in place. What we need to look at now is how that positions the Kurds to accomplish what we hope they would accomplish. On the basis of that review, we can decide what more needs to be done.

Mr. Kissinger: We will look at whether more needs to be done.

The Shah: We should make sure they have all the armaments they need, but we should also help them with their organization. If they want a Department of Health, we should see whether we can help them with that.

Mr. Kissinger: The President agreed with Your Majesty's overall objective. Our problem is that we do not know enough here in Washington to have a very clear judgment on exactly what needs to be done. We will work out a program and be in touch with Your Majesty.

The Shah: One thing that needs to be done is to find some Iraqis—not émigrés—and send them to the north near the Kurdish area to form a government of national unity or whatever they want to call it. The Kurds must remain within the Iraqi state and seek a solution there. But our only lever over the Iraqi Government is the Kurds.

Mr. Kissinger: The President wants to make a major effort. Is this coordinated with your people or is it strictly an American operation?

Helms: It is fully coordinated and worked out through the Iranian intelligence service.

The Shah: Yes. It's okay. There will be an excuse for the Kurds not to come to terms with Iraqi Government.

Mr. Kissinger: Can we keep them from coming to terms?

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<sup>5</sup> See Document 24.

The Shah: Yes. But the Russians are putting heavy pressure on the Kurds to come to terms with the government and to join the government. But Barzani [the Kurdish leader] promised not to do anything without our okay. He asked for the moral support of the U.S. I told him that we could provide that. I told Barzani that I did not want him to try to create an independent state. It would make the Turks terribly afraid. We don't want to frighten the Turks unnecessarily. This is a trump card that we do not want to let go.

Mr. Kissinger: The President agrees.

The Shah: Any contingency planning on Saudi Arabia must be most hush-hush. Saudi Arabia is different from Kuwait. I would not think of this for myself. I think of it as useful more from the European viewpoint.

Mr. Kissinger: We should agree under what circumstances any plan that is developed should be implemented. We would need to know what was being triggered.

The Shah: Yes.

Mr. Kissinger: After Your Majesty returns to Tehran, perhaps a plan could be developed. [To Helms] Who should be involved here?

Helms: No one other than a couple of people in the White House.

Mr. Kissinger: Your Majesty can tell Ambassador Helms when you are ready. We can communicate either by sending someone out there or by having someone come here. We probably should not even put this into our backchannel communication.

Helms: That can be done easily.

The Shah: In the meantime, we should think about getting some Saudi like Fahd or Sultan to start an official cooperation with Iran. Obviously, we need to have a contingency plan. But as a complement, we should try to develop official cooperation with the Saudis.

Mr. Kissinger: That we can do in the general framework within the government. We have several other studies going on and we can integrate that in that framework.

The Shah: I will talk only to Helms about the contingency plan. [With a smile] I will not talk to the Senate Foreign Relations Committee about it tomorrow.

Mr. Kissinger: [laughing] It might take our headlines away from domestic concerns.

Helms: That brings up one point about the operation with the Kurds. That was well handled. It stayed totally out of the public domain. Our problem is that when something like this gets into the public domain, then the pressure mounts in the Senate.

Mr. Kissinger: I have three other things that I would like to take up:

(1) The Arab-Israel problem.

(2) A contingency plan for helping Pakistan both to deter an Indian attack and also what might be done in case of an attack.

(3) There is also a special subject which I might take up first since it is short and we can get it out of the way. In the last 48 hours, we have learned that Canada will withdraw from the supervisory commission in South Vietnam. We have played with the idea of not replacing Canada at all and then trying to persuade Poland to withdraw. However, in looking for countries that we could count on to do an objective job, the question has arisen whether we could propose Iran. It would require some 290 military people and 5–6 diplomats. We wondered whether we could consider Iran to do this job.

The Shah: We have been approached by several countries tentatively with the same proposal. There is a background to this, however. A few months ago, we told North Vietnam that we would study the recognition of North Vietnam. We told them that we were interested in discussing this. Then for several months there was no answer. One week ago, we received a message saying that they would be glad to have diplomatic relations. I was initially inclined to let them wait for a few months before responding. In addition to that problem, through the UN we have been approached by other people. [to Ambassador Zahedi] Tell Hoveyda [Prime Minister of Iran] to report to me whether we have been approached by other people to serve in this role and by whom.

If we were to play such a role, this would have the dual advantage of putting us in the international picture and putting us in a broader way in the Indian Ocean.

Mr. Kissinger: It would not be inconsistent with your establishing diplomatic relations with North Vietnam.

The Shah: To the contrary, without diplomatic relations, it would be very difficult. Let us study it a little bit more in the light of the problem of establishing diplomatic relations and in the light of who else would like us to replace Canada.

Mr. Kissinger: Saigon would. The Chinese would. Chou En-lai's estimate coincides with ours.

The Shah: How do the Chinese get their information?

Mr. Kissinger: I don't know. They are extremely well-informed. They have a significant grasp in geopolitical terms of all of the major issues. Their assessment agrees very much with Your Majesty's presentation to the President this morning.

The Shah: They work hard. They are rather mature—in their deeds if not always in their words.

Mr. Kissinger: They and we have a code. Whenever they are going to say something that won't be particularly welcome to us but which they want us to discount, they say, "We have to fire some empty cannon."

We understand that you will want a little time to consider this matter. There is some urgency. The Canadians are likely to withdraw within the next few days. There could be a hiatus, but it would be desirable to fill the vacancy soon. If Iran took the Canadian position, it would be useful because of the coincidence of our views. Also, it would contribute to Iran's international stature.

The Shah: Yes. Especially because of our future in the Indian Ocean. Some people look to India to play a strong role in the Indian Ocean. I doubt it.

Mr. Kissinger: The creation of Bangladesh was the beginning of disaster for India. I have told the Indians this.

The Shah: Foreign Minister Swaran Singh was in Tehran last weekend. He said that India is not interested in anything for itself in Bangladesh.

Mr. Kissinger: If things go badly, the Bengalis in West Bengal will be affected. If they go well, the Bengalis in Bangladesh may also create trouble in West Bengal.

The Shah: The Indians fear that Bashani [pro-Chinese leader in Bangladesh] will create trouble in Bangladesh.

President Bhutto is much more mature than he was before.

Mr. Kissinger: I met him only once—in one series of meetings at the UN during the war in 1971. I had heard wild things about him.

On the Arab-Israeli problem, I want to explain our basic view and some of the problems we have quite candidly.

For two years, we have had some highly publicized initiatives. These have been disastrous. As soon as they have become public, Israel, the Israeli lobby in the U.S. and the Arabs have all become active. The U.S. is caught in the middle.

In Vietnam, it took four years of negotiation, heavy bombing and withholding of supplies from the other side. In the Middle East, by contrast, no actions of this kind are possible. We do not have the same position.

Therefore, before we move publicly, we want to have one side lined up with us so that we can move against the other. We can not dissociate ourselves too widely from Israel, because if the Soviets think we are dissociating ourselves from Israel that could have bad consequences.

Now, I want to tell you something which must remain highly confidential. I have met twice with Hafez Ismail [National Security Ad-

viser to President Sadat of Egypt] secretly. By Arab standards, the secret has been kept reasonably well. They only told the Saudi intelligence chief who told the head of our Interests Section, who almost had a heart attack. Now he has retired. I am planning another meeting soon.

The trouble is that the Arab position is impossible as a negotiating position. The Arabs are asking the Israelis for total withdrawal in return for an end of the state of belligerency between Egypt and Israel; then Egypt says Israel must negotiate with the Palestinians for a final peace. Ismail has been very nebulous about the difference between the end of the state of belligerency and the final peace. It is difficult to tell a country like Israel to withdraw 200 miles and then to negotiate with its most mortal enemy.

It is not clear exactly how the Egyptians see the final negotiation with the Palestinians. The Egyptians will not tell us that they will accept Hussein to negotiate for the Palestinians.

We can not take any proposition based on this situation to the Israelis. We would discredit the credibility of the White House. I have tried to persuade the Egyptians that if the Israelis were to design Arab strategy to suit their own interests, they would design it just about as it is now.

The question is how the U.S. and others can play an effective role. We can not force Israel to accept an overall solution all at once. What we must do is to segment the negotiations into pieces that the Israelis can manage. Then we must move step by step. As matters stand now, Egypt is playing into Israel's hands since the main Israeli interest as far as I can tell it is to waste time.

Guarantees are almost senseless, and a joint US–USSR agreement would not be particularly helpful. What we are trying to do is to get Egypt to find some formula which would be ambiguous and would be differently interpreted by both Israel and Egypt but which would let a negotiating process start. Once a negotiating process starts, we can help to move it along.

The Shah: A negotiating process would give Sadat an excuse not to go to war.

Mr. Kissinger: Yes. Egypt also needs an excuse to negotiate. Israel can not settle the whole thing in one bite. We are willing to be very constructive in trying to move the negotiations toward an Arab position that will be better than now.

The Shah: Or better than they could get by going to war.

Mr. Kissinger: That's right. If we could get a process started, then we could let history work for us. This is what we are trying to get through Egyptian heads. I have made a proposal that we should sepa-

rate sovereignty from security. By recognizing Egyptian sovereignty, it might be possible to create some security zones which would permit a continued Israeli position in what is now occupied territory. The Egyptians say that this is phony sovereignty. But they would be a hell of a lot better off under those conditions than they are now. And they could go on to negotiate from there. I do not hold any brief for this particular idea. But I am not going to get the U.S. committed until one side is prepared to stand with the U.S. position.

I have the impression that King Hussein is reasonable and that we could work out with him a position that could then be pressed on the Israelis. But I have the impression that he can not be the first to reach an agreement with Israel.

The problem is that the Egyptian negotiators are likable enough but there is a fuzziness about their presentation. I have not been able to reduce their proposition to something that I could work with. The art of negotiation is to get a process started toward what you want. The Egyptians do not seem to appreciate this.

We would prefer that Your Majesty not discuss this with anyone.

The Shah: No. I would only say that we have discussed the desirability of a U.S. initiative.

Mr. Kissinger: If Your Majesty wanted to tell Ismail about your judgment of the seriousness of U.S. intention—whatever Your Majesty's judgment might be—and urge some tactical flexibility, that could be useful. Your Majesty might make the argument that they are losing more by being frozen in their present position than they would if they entered a negotiating process. There is no military solution to this problem.

The Shah: I do not think the Russians are encouraging Sadat to try a military solution. They do not want a confrontation with you.

The Russians are not encouraging the Arabs to fight Israel. What they want is for the Arabs to destroy Jordan.

My first objective is to see the U.S. create in the Arab world an impression that the U.S. is not disinterested in the fate of the Arabs and is not completely tied to Israel. I do not want to see the U.S. give the Arabs an excuse for playing their oil card. The Arabs are often swayed by their own emotions. They can get themselves in a box. I would hope that there could be a little more balance in the U.S. position.

Mr. Kissinger: In a way we are willing to do that, but it could be self-defeating. In Vietnam, everybody told us that we had to dissociate ourselves from President Thieu and bring pressure on him. When we had something to bring pressure for, we moved very quickly. Until then, there was no point in doing so.

The Arabs want us to take poses. That will not improve the situation. We want to preserve our influence with Israel until taking a position can move the situation forward. The White House does not want to travel around the Middle East posturing until we are in sight of something that can be achieved. The Arabs must understand this. We want to take a more balanced position. It is not right to have a great country's position swayed by a small country. But we need some fulcrum for moving this situation.

Zahedi: Foreign Minister Zayyat is here in New York at the UN.

Mr. Kissinger: I have no evidence that he is in the picture. [to Saunders] Do you?

Saunders: No. I have the impression that he is out of the picture.

The Shah: Egypt is watching my trip to the U.S. Foreign Minister Zayyat had asked me before whether I could help to persuade the U.S. to take an initiative. At that time, he said that if there were no peaceful solution, Egypt would have no choice but war. For the sake of our friends and allies, my real concern is that this oil thing not become an Arab toy.

Mr. Kissinger: We do not want to say this to the Arabs because it would call their attention to the issue. Some people have recommended that we send a mission to Saudi Arabia to tell the Saudis to keep the oil issue away from the Arab-Israeli problem. My philosophy is that we do not want to drag the Saudis into the Arab-Israeli situation. We do not want to weaken King Faisal by giving him the burden of producing a solution to that problem. If Your Majesty felt inclined to talk about your general impression on the U.S. position on this issue, it could be helpful.

The Shah: If we talk to the Egyptians, should we tell them the same thing you are telling them, or should there be nuances of difference between your view and ours.

Mr. Kissinger: It probably would be better if there were nuances unless Your Majesty completely agrees with our position. Your Majesty might simply tell the Egyptians what you said to the President and then repeat our view to the effect that we want to be helpful and that they are making it difficult.

The Shah: If I am asked in my TV appearances what should be done, what would you advise my saying that Iran is trying to do?

Mr. Kissinger: We do not want to inflame the Jewish Community here too early. You could say that Your Majesty is concerned for stability in your part of the world. You believe that continuation of the Arab-Israeli impasse is one of the elements giving foreign interests undue influence. You hope that the U.S. will be able to break this impasse. If Your Majesty wanted to, you could even say that you hope

that the parties to the dispute might engage actively in a negotiating process.

Zahedi: Your Majesty could say that this should take place within the framework of UN Security Council Resolution 242.

The Shah: Okay. We can do all this. What we need to do is to help the Egyptians not commit suicide.

Mr. Kissinger: We want to help the Egyptians to move ahead. We recognize that Egypt is the largest country in the Arab world.

The Shah: The Egyptian problem is the easiest to solve.

Mr. Kissinger: Yes. Jordan would settle itself if there were an Egyptian-Israeli settlement. But Syria is more difficult, and the Palestinians are most difficult.

The Shah: Because the Egyptians have thrown out the Soviets, they should not be humiliated too much.

Mr. Kissinger: We could have another Rogers plan, but the opposition would mount and it would be gutted before it even got started. The Arabs have to decide whether they want a U.S. pose or a process which could improve their position. We will not support their maximum program if there are negotiations. But once Israel starts moving back, the process will have started. It will be easier to dislodge the Israelis from almost anywhere else in the Sinai than it will be to dislodge them from where they are now.

The Shah: I will tell the Egyptians that I mentioned the desirability of finding a solution—even if it is a step-by-step solution. I will say that the U.S. will cooperate but only if the Egyptians can help a little.

Zahedi: The Shah's efforts were important in persuading Egypt to accept Resolution 242.

Mr. Kissinger: I unfortunately have to go. There are two other issues which I would like to discuss with Your Majesty. One is Pakistan. The other is if there is an attack on Jordan by Iraq, it would help us to have a rough idea of what Iran might do. Perhaps we should arrange another meeting.

Zahedi: Friday would be the best time.<sup>6</sup> We will arrange it. [As Dr. Kissinger rose to go and walked toward the door, there was a discussion of how the Iranians might communicate with the Egyptians. There was some talk of conveying the message to Foreign Minister Zayyat while he is in New York. There was also the possibility of Zahedi's going to Geneva to meet with Ismail. He said he could do this after the visit of the Shah's children to the U.S. in mid-August. The Shah said he would think about this.]

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<sup>6</sup> July 27. See Document 30.



**28. Memorandum for the President's Files by the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, undated.

**SUBJECT**

Meeting with the Shah of Iran on Wednesday, July 25, 1973 at 10:25 to 12 noon in the Oval Office

**PARTICIPANTS**

The President  
The Shahanshah of Iran  
Dr. Henry A. Kissinger, Assistant to the President for National Security Affairs

The Shah remarked at the outset that the Blair House was getting more and more pleasant.

The President emphasized that in terms of his own foreign travel plans, he regarded an annual meeting with the Shah as essential. He hoped to visit Tehran again, perhaps on his next visit to the PRC or the USSR.

The conversation turned briefly to Latin America. The President noted how hard it was to get through to the Latins. The Shah mentioned that Brazil was the key country. The President agreed.

The discussion turned to the Communist world. The President pointed out that Brezhnev was getting old. He needed a lot of rest. At the Summit in Washington there had been continual scheduling problems, partly because of this. Our relations with the Chinese were good. Chou En-lai had opted for the line of co-existence. Mao was confined to only the high-level issues. The Chinese situation was very precarious because of the age of these leaders. The Shah mentioned that he had heard Chou En-lai was coming to Pakistan. If so, the Shah would invite him to Tehran. When the Empress was in Peking, the Prime Minister had been with her. So Chou En-lai should pay a return visit to Iran.

The President said he wanted to mention the vacancy on the Vietnam ICCS. He told the Shah it would mean a lot to us if Iran were willing to take Canada's place. The Shah replied positively. If Iran joins the ICCS it would be necessary to recognize North Vietnam. But it would establish Iran as a power in the Indian Ocean. It would be a good

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS-28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 30 May '72–15 September '73. Top Secret; Sensitive; Exclusively Eyes Only. All brackets are in the original.

move, the Shah concluded.<sup>2</sup> The President said he was inclined to think more that Iran was thought of as a world power. The Shah responded that Iran must be thought of as a medium power, like France or Britain. He thought the Chinese attitude towards Iran reflected this status. The French send their Prime Minister to the airport to greet him.

The conversation turned to the Middle East. The President stressed that our position was to be helpful. But the Egyptians must get into some kind of negotiations so that we could use our influence during the negotiations. The President said that he would not let domestic considerations influence him. He owed nothing to the Israelis. If the Egyptians would place some trust in him they would find they had a good friend in court. The Shah mentioned that he had had a good talk about this subject with Dr. Kissinger. He would tell Ismail all this, through Zahedi [the Iranian Ambassador in Washington]. The President reaffirmed that everybody's interest would be served if the talks got off dead center. They could count on his being totally fair and not tilting towards Israel. The Shah stated that he had told the Egyptians that this President was their best hope. This was true in other areas as well, the Shah believed. He felt strongly that the President's effort for the Year of Europe must succeed. France was coming along. Britain was all right. By the time the President left office he could leave the world a much better world.

Iran's real friends were the Israelis, the Shah noted, but Iran had to stand for the principle of non-acquisition of territory by force. The Saudi situation was crucial for the free world. The oil potential could change for the benefit of the free world. In Afghanistan we had been taken by surprise. We should try to get their cooperation. But if they are adamant, then Iran would have to work on its own. If we don't find someone we may have to act unilaterally.

Dr. Kissinger noted that Arab monetary reserves could destabilize the whole monetary system.<sup>3</sup>

The President emphasized the importance of giving consideration to this whole problem.

The Shah, with great exuberance,<sup>4</sup> declared to the President his strong feeling that Iran's destiny was to seize the opportunity that history had presented to it.

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<sup>2</sup> In telegram 5882 from Tehran, August 20, the Embassy sent word that Iran would officially announce its agreement to become an ICCS member on August 22. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

<sup>3</sup> HK note: President totally preoccupied, doesn't grasp problem. [Handwritten footnote in the original.]

<sup>4</sup> HK note: Shah is clearly seized by opportunity, exuberant. [Handwritten footnote in the original.]

On the Middle East problem, the Shah added that Hussein was pressing for a meeting with Helms.

The Shah reiterated his sympathy with the President's approach. When liberals are in power, everything goes. When they are not in power, they become moralistic. It is a clear double standard, the President agreed. The Shah pointed out how each successive leader of the Communist world had had to change its line—from Lenin, to Stalin, to Khrushchev, and now to Brezhnev. Then they wind up buying technology from the United States. Iran, the Shah concluded, can look to the future with optimism provided we remain friends. The President said he shared this view.<sup>5</sup> The Shah expressed his belief that charity for people who didn't work created psychological problems. The Germans had no such problem. But Britain had become too lazy; the pressure had been too much. The Chinese work hard, and this was the secret of their success.

In conclusion the President expressed his pleasure at his meetings with the Shah. A visit with the Shah was always a personal pleasure for the President, because the two leaders thought so much alike.

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<sup>5</sup> HK note: President passes up opportunity and is quite evasive. [Handwritten footnote in the original.]

**29. Memorandum of Conversation<sup>1</sup>**

Washington, July 26, 1973, 11:45 a.m.–12:45 p.m.

**SUBJECT**

Meeting with the Shah of Iran

**PARTICIPANTS**

*Iran*

The Shah

Ambassador Zahedi

*Department of Defense*

Secretary Schlesinger

Deputy Secretary Clements

Ambassador Hill

Vice Admiral Peet

Deputy Assistant Secretary Noyes

Major General Brett

Mr. Alne

*Department of State*

Ambassador Helms

The Shah opened the meeting by remarking what a good morning he had had at Andrews AFB witnessing the flights of the F-14 and F-15, as well as examining both aircraft.

The Shah then entered into a rather lengthy discussion of the situation in which Iran finds itself today. He opened by stating that Iran must remember where Iran is today and where Iran intends to go. In this vein he stated Iranians cannot just sit back and enjoy the pleasure of their country but because of their geographical situation must be constantly aware of their needs. He observed that Iran must applaud the USG coming to terms with the Soviets, as no good can come out of nuclear exchange between these two great powers; consideration must be given to mutual limitations by all concerned. Moreover, we cannot go back to the past relationships, as these will present difficult, if not impossible, problems. However, the non-confrontation of the big powers might well cause others to pursue policies of adventurism. The USG may be sure that no adventures will originate with Iran, and certainly Iran will do whatever it can to pursue peace; but others within

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–1973, POL 7 IRAN. Secret; Sensitive. Drafted by Brett and approved by Hill. The meeting was held in Secretary Schlesinger's office in the Pentagon. Hill provided the Secretary with a briefing memorandum prior to the meeting on July 26. (Washington National Records Center, OSD Files: FRC 330–78–0002, Box 6, Iran 091.112, 1973) The memorandum of conversation was sent to the Department of State on August 8 by Major General John A. Wickham, Jr. of the Office of the Secretary of Defense under a covering memorandum.

the region may try more radical and/or active policies. A prosperous country has much to lose and therefore can be counted on to more vigorously pursue peace, but the poorer countries have little to lose. In addition their governments must keep their people busy focusing on external activities, and this could be troublesome.

The Shah identified a major problem with Afghanistan in that he believes the Soviets could pursue through Afghanistan the objective of obtaining a warm water port on the Indian Ocean. This would obviously lead to the disintegration of Pakistan. The Shah stated that he had said openly and publicly many times that Iran would do anything in its power to prevent trouble in the area and would not let radicals or insurgents into the Persian Gulf. He added that one should imagine the trouble that radical elements could cause in this sensitive area. His government would not neglect its Iranian armed forces to the extent that its future would be jeopardized or that Iran would be unable to meet its obligations within the area. The interesting thing, he stated, is that Iran, by building up its armed forces and establishing a stable, productive country, is doing a positive service to Europe, Japan, and the U.S. The cost of oil will escalate along with everything else; indeed, it is in the U.S. interest that Iran raise the price of oil because, otherwise, the USG would not be able to get resources for shale oil, tar sand, oil gasification, or other types of energy. Therefore, the interests of Europe, the U.S., and Japan are directly related to what is being done in Iran.

The Shah stated that he thought he had mentioned it before, but his plan is to build a gas line to Europe through Turkey and Yugoslavia to Trieste, Italy, and onward (fanning his hands outward) into Europe. When one considers that vegetable oil costs have risen over 300%, one must recognize that gas won't remain the same price, or, for that matter, even coal. The USG has gas and coal, but others do not, so by placing a gas pipeline into Europe he is linking his country to Europe and can be of service. Moreover, this will preclude the Europeans from separating their security from Iran's or concentrating on their local security. Security considerations will link all together, and that is why Iran must support Europe. There is a question if Europe goes under, Iran will too. The USG's problems are lessened to a great extent by the policy the USG pursues with Iran. The Shah remarked that he remembered the first time he came to the U.S.—begging for two battalions of Sherman tanks. Now we are discussing sophisticated aircraft, which clearly means both our countries have progressed. "I do not know what would have happened to us," he said, "if U.S. policy had not grown with ours." The Russians call Iran the "self-appointed gendarme of the Persian Gulf." Why not? Iran would be willing to share the responsibility with others, but they are not ready, and Iran cannot abandon its role because such abandonment might well result in Iran's destruction.

Iran is an important and prosperous country and must continue to fulfill its role in the region. Unfortunately, some of the arms buildups are not controlled by other countries. Iran must attach priority to its forces, with first priority being the Air Force, and with definite priorities to the Army and the Navy—the Navy because the Persian Gulf is so important to solving the energy crisis in the world. Iran must also go to the Indian Ocean and become an Indian Ocean power. Iran's planning, however, will have to be done carefully to accomplish this. The Iranian Navy must not have less than is necessary, but also must not overdo its buildup. The Shah saw a very active role for his air power in the Indian Ocean through the use of aerial refueling. He mentioned two refuelings, and an interest in "more than a thousand miles" into the Indian Ocean. The Shah asked, rhetorically: "How far into the Indian Ocean?" "As far," he replied, "as necessary to have a friend meet me." He then mentioned as a corollary the need for friendly relations with Australia, South Africa, and Lee Kuan Yew. As he remarked the other day at Blair House,<sup>2</sup> he feels his air power must have the capability to strike the enemy over their own territory, both as a deterrent force and to preclude air attacks on his country against significant targets. He again spoke of his capability to strike the enemy rapidly through the use of air power and end a war while it was still being discussed in the UN or on a hot line.

Secretary Schlesinger thanked the Shah for his remarks and stated it was a view that we entirely shared. He stated he had a number of points that he felt pertinent to mention in light of the Shah's remarks. *First*, the USG is very concerned over the withdrawal of our forces from Europe. The replacement of these forces is dependent upon limited air mobility in that it would take 500 air sorties to lift an armored division to Europe in a day's time if we had our forces in readiness. In Iran's case, a careful mix of air and ground forces must be made so that Iran can reach every corner of its country. Secretary Schlesinger encouraged the Shah to investigate the mix of his forces so Iran would not be dependent on tactical air power alone.

The *second* point Secretary Schlesinger made was the role that Iran would play in the area in the event of trouble in the Emirates or elsewhere in the region. Iran's readiness to take action is one the USG can only applaud. A question is will it be done on a bilateral or unilateral basis. If Iran takes action or plans to take action, it can expect considerable pressure from the Soviets, and it will take courage to withstand this pressure. The USG must examine what it can do to help Iran withstand these pressures.

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<sup>2</sup> See Document 26.

Secretary Schlesinger's *third* point was with respect to the structure of the Iranian forces. He remarked that in order to achieve effective forces, a careful examination must be made of the mix of their capabilities, the appropriateness of their operations and maintenance systems, the acquisition of military hardware, and how all of these are integrated into the overall force structure. The Secretary stated that through the help of the MAAG much could be done to achieve appropriate forces. He added that a careful resource analysis must be made along with continuous evaluation of all aspects of the armed forces in order to maximize the available forces. The Secretary stated that DoD is prepared to provide technical assistance, including the training of Iranian people in force analysis, both military and civilian, in order that the Iranian forces can withstand the test when called. Secretary Schlesinger remarked that he mentioned this in passing because, unfortunately, others have not effectively integrated their force structures with equipment acquisition.

The Shah thanked Secretary Schlesinger for his remarks and stated that he would be most interested in pursuing this subject. At the moment, he believed the force analysis of the Air Force was on track; however, the Navy needs a comprehensive analysis, particularly as it expands. Deputy Secretary Clements observed that we can help the Iranian Navy as we have the Air Force. The Shah also added that morale, which is essential to an effective force, cannot be accomplished with computers but only with dedication. Iran was achieving this dedication through its programs for social justice. Moreover, he believed his country has progressed to a sophistication wherein it can absorb sophisticated items of equipment. He asked the Secretary if he agreed, and both Secretary Schlesinger and Deputy Secretary Clements responded in the affirmative. The Shah then remarked that over the years the USG and his government had planned and worked together, and would "face the music together," but, hopefully, "it would be our music and we would play it." He believed that the value of our effective fighting capability was that one would not have to use it.

Secretary Schlesinger stated that the acquisition of superior arms and their control does not necessarily achieve a country's objective. It is how it is employed. For example, in the support of Kuwait if Kuwait were attacked, while superior aircraft in themselves would be essential ingredients to such an attack, there are many other issues of importance, a set of issues to which the Secretary stated he does not have all the answers. Such issues must be jointly explored to insure that Iran is always a "bastion of freedom to protect the Persian Gulf." The Shah agreed and remarked that they are exploring the mobility of Iran's forces in order to be responsive throughout the region, and are attempting to determine what is enough, based upon the various threats

his country faces. In respect to Kuwait, he believes that Iran would have to go to their aid, but how to do this most effectively is the question. The Shah remarked that here is where the Pentagon could be of help, in that they could make a study of the most effective way for Iran to go to Kuwait.

The Shah stated that currently his government was making a study with the Germans on upgunning their tank fleet, particularly the M-47 tanks. He added that Iran has over 880 tanks of older vintage, and it would be foolish to discard them when they could be retrofitted with good guns and made into a viable part of his armed forces. His people liked the M-47s (after overhaul) better than the M-60s. Moreover, this is particularly important in consideration of the need to protect the eastern part of the country. In this regard he stated it was very peculiar how the situation in Afghanistan came to his attention. It was first noted when the Afghans accused Iran of concentrating armor in the East, when in actual fact the Afghans were concentrating armor on Iran's border. He thought an Afghan might have seen an Iranian bulldozer and had misidentified it. (*Note: the Shah stated there was another development which he told to Mr. Elliott last night; however, Mr. Elliott had not read it and could not make a comment. We do not know what he was referring to.*) The Shah ended this discussion by stating that the situation in Afghanistan made it necessary for Iran to set up new units in the East.

The Shah then discussed the buildup of his Navy. He introduced his remarks on the Navy, which were very similar to the remarks he made at Blair House, by pointing out how drastic it would be if one of the super tankers were sunk in the Gulf or the Straits. Basically his remarks were directed to upgrading his ships, including British-furnished ships with Harpoon missiles and Iran's requirement to study this jointly with the USG.

The Shah (this came as some surprise) wants to establish an electronics industry. Japan, the Shah said, is very enterprising, and Iran will inevitably have a civil sector electronics industry. But the Shah wants to include military electronics with emphasis on Hughes and Westinghouse. He wants to join Israel, Italy, FRG, UK, and others on co-production schemes. Such co-production will cost less, he believes, than the alternative of small independent national plants. He said that he needs orders from the USG to make the economics viable. He asked us to consult with General Toufanian, with Hughes and Westinghouse. Secretary Clements asked if he meant production to the same specifications. Mr. Alne noted that Iran may wish to select components and equipment figuring in follow-on overhaul and maintenance activities—to achieve higher and more economic production levels. The Shah said he understood and agreed.



A discussion was then held between Secretary Schlesinger and the Shah on the practicality of utilizing atomic energy for desalinization.

After this brief discussion, the meeting was adjourned to the Secretary's Dining Room.

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### 30. Memorandum of Conversation<sup>1</sup>

Washington, July 27, 1973, 5 p.m.

#### PARTICIPANTS

The Shah of Iran  
Ardeshir Zahedi, Ambassador of Iran  
Henry A. Kissinger, Assistant to the President  
Richard Helms, U.S. Ambassador to Iran  
Harold H. Saunders, NSC Staff

Mr. Kissinger: Whenever I see David Rockefeller, he has just opened a new bank. [Mr. Kissinger had met Mr. Rockefeller on the sidewalk outside the Blair House just as Rockefeller was leaving and Kissinger was entering.]<sup>2</sup>

The Shah: Yes, we hope he will open one in Iran. A few years ago, we were reluctant for foreign banks to establish themselves in Iran. But the situation has changed. We have told our industrialists that they will need a great deal of capital to expand, and now there are three or four foreign banks coming in, each with a capital of some \$70–80 million. The shares that were made available to the public were snapped up in three or four days. I told Mr. Rockefeller that he would be most welcome.

One of the elements in the new situation is that the projects that are now materializing in our country are so large that great amounts of foreign capital are needed. Some of them run on the order of \$1 billion or more. We have also told the Bank of America it will be welcome.

General Motors is there. Mr. Ford came to see me. I told him that, as usual, he was getting in late. One of the problems with these com-

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS–28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 30 May '72–15 September '73. Top Secret; Sensitive; Exclusively Eyes Only. The meeting was held in the Shah's Reception Room at Blair House. All brackets are in the original.

<sup>2</sup> David Rockefeller was Chairman of Chase Bank and Director of the Council on Foreign Relations.

panies has been that they have not sent their best people to Iran. They recognize this and they are going to revise the type of people they send to Tehran. I have had good meetings the last two days. I held a press conference here, and I have also taped a television interview for Sunday.<sup>3</sup>

Mr. Kissinger: I thought your press conference was very effective.

Ambassador Helms: Yes, the press conference was good. How did the TV taping go?

The Shah: I said that Iran should not be looked at as just another Middle Eastern country. In 5–10 years time, it will be very different and will stand out from its neighbors.

I was asked about your domestic developments. I said that I would not be drawn into U.S. affairs. That is your business. But I did venture to say that if a President cannot be in a position to take split-second decisions, that would weaken the ability of the U.S. to play a significant role in the world. If an executive in any country is weakened, that can lead to either military dictatorship or to Communist dictatorship. Neither of these seems likely in the U.S. The third possibility is anarchy. The U.S. could move from a first-rate power to a fifth or even a tenth-rate power.

All of these things I said in my press conference.

Mr. Kissinger: What about your Sunday interview?

The Shah: I covered much the same ground as in the press conference.

Mr. Kissinger: I saw the press conference; it was well handled.

The Shah: On the interview for Sunday, I was asked why Iran is buying so many arms. The reporters spoke in terms of the dollar value. I said that the money is not significant. What is important is that Americans not take Iran as just another country in the region. We know what we are doing.

The reporters asked whether Iran would participate in an embargo on oil shipments. I said, "In our case, no." I noted that we have just signed an agreement with the Ashland Oil Company. It is possible that some other countries in the Middle East might try an embargo. I thought that would be counterproductive.

What I must tell you in the utmost privacy is that the Egyptians asked whether I thought the oil could be used as a political weapon. I replied that obviously it could, but I did not feel that it would be wise to threaten the U.S. with the oil. I told the Egyptians that the U.S. could get very angry with Egypt and do it harm.

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<sup>3</sup> July 29. The Shah's press conference was on July 25.

Nevertheless, the Arabs are brandishing this weapon. Even the historian Toynbee has written about it.

I told the Egyptians that eventually they might use that as a weapon but that they should be very careful about it. On the one hand, using the issue carefully could help the U.S. As far as the U.S. might want to exploit this issue to say in some public quarters that there is a danger, it might be useful. But at the same time, it could be counterproductive.

I just wanted to mention this to you before you see Hafez Ismail again.

Mr. Kissinger: If Egypt ever concerted its policy with us, they might play this card. But if they play it in a belligerent way, it will do no good.

The Shah: I warned the Egyptian minister here in Washington about this when I saw him at our Embassy reception last evening. How fully is he informed of your communications with the Egyptian government?

Mr. Kissinger: Not at all.

Ambassador Zahedi: I will contact Hafez Ismail and try to go and see him in mid-August.

Mr. Kissinger: We will give you our suggestion (on how to describe the U.S. position) before you go.

Ambassador Zahedi: Yes, I shall see you before I go.

The Shah: Word for word, Zahedi must know what to say in describing your position.

In negotiating, I say on the first day and the last the same thing. Some people like to bargain by saying more on the first day than they want. I do not like that approach. I am careful about what I say on the first day and then stick to that position.

Mr. Kissinger: It is a mistake to negotiate that way. If your opponent feels you are bargaining and you make one concession, he will wait for you to make another. I believe in taking a position and sticking to it.

The Shah: This is a tricky business with Egypt.

Mr. Kissinger: It would be useful if Your Majesty or the Ambassador were to add your own personal judgment of the sincerity of the U.S. in trying to solve the Egypt-Israel problem when you talk with Ismail.

The Shah: I would say that the Americans are sincere, that they owe nothing to the Jewish vote which is true, and that the problems must be discussed. Ambassador Zahedi will tell this to Ismail.

Ambassador Zahedi: When I see Ismail, I will see whether there is anything in his response that would warrant an audience with His Maj-

esty. Or if there is an answer to the U.S., I will convey it to Dr. Kissinger. After seeing Ismail, I could fly to Iran from Geneva. It is only six hours round trip.

The Shah: It is more up to the Americans to judge whether the Egyptians are saying something that is practical. Only those who are intimately involved in a situation like this can judge whether one of the parties is saying something that can be used to move the situation forward.

Mr. Kissinger: Practicality is their problem.

Ambassador Zahedi: President Nixon respects your judgment, Your Majesty. The Egyptians will respect your judgment too.

The Shah: These poor Egyptians.

Ambassador Zahedi: Your Majesty might be able to help. They do respect you.

The Shah: Only so long as it suits them. I do not have much confidence in Arab gratitude.

Mr. Kissinger: Perhaps we could say a few words about Pakistan, about the Pakistani need for arms. The problem is that the need of the Pakistanis is so great and the composition of the armed forces is so varied, that it is difficult for us to make a real difference with anything that we might do. It is a bottomless well. If we were to do more, it would create a major domestic problem for us. The Indians would raise a big uproar. Our intellectuals have a love affair with India.

Our policy is to encourage the Chinese to the maximum to put arms into Pakistan. I believe they have done well to date.

The Shah: Yes, they have provided planes and tanks.

Mr. Kissinger: We can provide spare parts. Maybe it would be possible to provide some few other strategic items. But we cannot do enough to to make a difference.

On the other hand, we are committed to the independence of Pakistan. We would do anything within our power indirectly militarily and directly economically to help preserve the independence of Pakistan.

For instance, I told Ambassador Dobrynin the other day that an outward thrust by the new government in Afghanistan would not be a subject of indifference to us. I told him it would be inconsistent with the principles that we have established as the basis for the U.S.-Soviet relationship. Your Majesty might want to keep us informed about the situation in Afghanistan as it develops. In any case, it is this sort of diplomatic pressure which we can mount in order to help Pakistan.

Pakistan is best protected if the Indians know that an attack on Pakistan would involve Iran. We will strengthen Iran to help Pakistan. We will also encourage other countries to provide military equipment

to Pakistan where they can. But we will not be able to mount a massive independent program of military assistance on our own. President Bhutto should understand this before he comes on his visit to the United States.

The Shah: I agree. I have told the Indians I would go to the aid of Pakistan if Pakistan is attacked. They know I could not tolerate the disintegration of Pakistan. I have also said this to the Russians. We could not close our eyes to active Afghan-Soviet pressures in Pushtunistan. On border problems, we will cooperate with Pakistan. I hope our military umbrella over Pakistan will not cause problems in Pakistan.

Mr. Kissinger: We will welcome it if you give equipment to Pakistan.

The Shah: In a few years we will produce our own military equipment—guns and small arms. We will not produce tanks or planes. I thought about producing aircraft but decided that would be ridiculous. I do not have the people or the facilities to get into that. Anyway, I have a friend in the U.S. that is ready to provide anything I need—short of atomic weapons and they are not an issue.

It is in the interest of Pakistan to have U.S. moral support and Iranian physical support. I have urged them to concentrate on their development and not on a revanchist war.

Mr. Kissinger: Are Your Majesty's forces deployed to assist Pakistan?

The Shah: Not now. But we are developing this new base at Chah Bahar. It will be a base for land, air, and naval forces. [To Ambassador Helms] Have you been there?

Ambassador Helms: Not yet. I am waiting until it is cooler.

The Shah: Do you know what the name Chah Bahar means? It means "four springs." It is hot there but it is on the sea and the weather is pleasant enough so that people feel it is like spring there all year round.

We are going to build a road from there to the Pakistani border. We will also extend the railroad. We will eventually have three armored brigades in that region. Eventually there will be an armored division in Kerman.

We have to watch both the Afghan and the Pakistani borders. I got one report that the Afghans were sending troops toward their border. I am not sure how President Daud will develop. With regard to the Helmand Valley Agreement with Iran,<sup>4</sup> Daud said the other day that he did not make the agreement, he had not studied it and he would have no

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<sup>4</sup> The 1972 agreement between Iran and Afghanistan concerned the distribution of waters of the Helmand River. The Iranian Government never ratified the agreement.

comment. For the moment, I am willing to give them the benefit of the doubt. We will wait and see how the new government there develops.

Mr. Kissinger: Your Majesty might like to know that Ambassador Dobrynin noted one of your comments in your toast Tuesday night at the White House dinner. Dobrynin claimed that Your Majesty's words were inspired by me when Your Majesty said, "Only the strong can be wise."<sup>5</sup> I told Dobrynin it was the other way around, that I was the student of Your Majesty.

The Shah: I said the same thing to Senator Wayne Hays. I elaborated on it with him.

I have told the Russians that what is good for them is good for me. I asked them whether when they negotiate with the United States, they are negotiating from a position of weakness or from a position of strength. They are negotiating from a position of strength. Only from a position of strength can one be wise. A weak person is so mixed up that he cannot be wise.

Mr. Kissinger: One needs choices to be wise.

The Shah: If you are strong, you can afford to be patient.

Mr. Kissinger: Yes, one can use time to his advantage.

The Shah: Yes, one can afford to wait. Did the Russian ambassador like that comment?

Mr. Kissinger: He respected it and that was more important than his liking it.

Ambassador Helms: He took note of it.

Mr. Kissinger: Your Majesty got his attention.

Ambassador Zahedi: Ambassador Dobrynin was our guest at the Embassy last night.

The Shah: He was? I did not see him.

Ambassador Zahedi: The Chinese too—Han Hsu.

The Shah: He was Chief of Protocol when the Empress visited China.

Mr. Kissinger: Yes, he has ambassadorial rank, although he is the number two in the Chinese mission here.

The Shah: I have told the Russian ambassador in Tehran that the same strategy that is good for the Soviet Union is good for Iran too. Iran must be treated the same as the other big countries in the world. What else does the Russian ambassador here say about Iran?

Mr. Kissinger: I have the impression that he would prefer it if you were less heavily armed.

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<sup>5</sup> For the President's and the Shah's toasts at the July 24 dinner, see *Public Papers: Nixon, 1973*, pp. 662–664.

The Shah: What is important is for the Russians to understand that we are not afraid of fighting them. We would not surrender. The Russians should understand that.

Mr. Kissinger: That is a strong point.

On your military deployment, is your Air Force in a position to reinforce Pakistan?

The Shah: We are planning that. In addition to our base being built at Chah Bahar, we will have an air base 200 kilometers to the north as a backup base and then we will enlarge another one in the same area. So eventually there will be three bases toward the Pakistani border.

Mr. Kissinger: The Indians need to see not only Iranian declarations of willingness to help Pakistan, but a capability to do so as well.

The Shah: We need a strong navy to get into the Indian Ocean. We discussed this in the Pentagon yesterday. We have decided on the Spruance Class DLG (Destroyer).

Mr. Kissinger: If there are any difficulties with the Pentagon, please let me know. I do not anticipate any. But the President has told me to make sure that Your Majesty gets what you want.

The Shah: I think this destroyer is a good choice. It is within the limits of our capability to handle it.

I will speak frankly here. We are going to develop our relations with the South Africans. They are sending their former Chief of Staff, General Fraser, to Tehran as their representative.

Eventually, even Mr. Whitlam<sup>6</sup> will have to change his view.

Mr. Kissinger: Especially Whitlam. What we want to do is to get our allies into a frame of mind where they feel that they have more to lose than we do when they criticize us and take us to task.

The Shah: On the question you raised with me the other day about replacing Canada in South Vietnam on the ICCS, I have told our Foreign Minister to inform Hanoi that we are prepared to establish diplomatic relations soon. I told this to Secretary Rogers and said that if the parties accept us, we are prepared to participate in the ICCS.

Mr. Kissinger: We have notified Saigon of Your Majesty's willingness to participate. We will approach Hanoi on Monday. Then the four signatories will notify the nine other members of the Paris Conference.

The Shah: I will have to brief President Bhutto on my talks here. I will tell him that Pakistan has the full moral support of the United States for the integrity of Pakistan.

Mr. Kissinger: And political support.

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<sup>6</sup> Gough Whitlam, South African Prime Minister.

The Shah: I will tell him that he will continue to have your substantial economic aid and that you will welcome others providing arms.

Mr. Kissinger: And encourage.

The Shah: I will tell him that it is futile for the Americans to build up arms in Pakistan. It would hurt Pakistan more than help it. I will remind him of the commitment I have made to help. Neither the Soviets nor the Indians can disregard that.

Mr. Kissinger: You can say that President Bhutto has the full support of the U.S. and we will make it clear to the Chinese that if they go to the support of Pakistan and are subjected to Soviet pressures we will back them. In saying this you should make clear to Bhutto the enormous sensitivity of that statement. You should tell him only in the most secure circumstances.

The Shah: Yes, of course. I will send Zahedi to brief him. Perhaps when Zahedi comes to Iran to report on his talks with Ismail. But maybe that would be too visible. Maybe I will send someone else.

About Jordan, the main principle is that if Jordan goes, there is no future for Kuwait or Saudi Arabia.

Mr. Kissinger: If Jordan is attacked, we would again encourage Israel to mobilize and cover them. We would also take some steps. Our maneuverability, however, is somewhat less than in September 1970. At that time Iraq threatened Jordan. If we could have some sense that there would be some mobilization of Iranian forces or even some Iranian military activity that would be important for us to know.

The Shah: Yes. We also have the Kurds. On the Kurds, we both could show a little more direct support. Now the Baath Party feels weak. They are saying some good things toward the west right now to gain time. But I have told the Kurds absolutely not to participate in a coalition government. I told them to stop receiving Soviet representatives or the Baath representatives from Baghdad. But if we are going to ask that of them, we will have to give them some more money.

Ambassador Helms: Yes, perhaps we should give them some more.

Mr. Kissinger: You can count on it in principle.

The Shah: Okay. On Jordan, we can retrofit their tanks if you will furnish the engines.

Mr. Kissinger: We will do it if Iran can do the retrofitting. What will be the cost?

The Shah: Maybe about \$40,000 per tank and maybe there are 200 tanks.

Mr. Kissinger: We will consider it sympathetically. We will do it; the only question is how.



The Shah: Jordan needs additional money. You should put what pressure you can on the Saudis and the Kuwaits.

Mr. Kissinger: I was going to urge Your Majesty to do the same. When we get a new ambassador in Saudi Arabia, we will be in a better position.

We will press the Saudis for more aid for Jordan. We will provide \$10 million more before the end of the year. We had been holding it up in order to increase the pressure on others to help Jordan more.

The Shah: Last night at the Embassy, the Saudi ambassador was introduced to me. He has a very sweet wife. He asked me what he could do for me. I told him that Saudi Arabia should make its reforms. Did you ever expect the coup in Afghanistan? Saudi Arabia could be in the same position. The reforms are crucial.

Mr. Kissinger: Your Majesty, on Jordan, I am a great believer in studying the plans before a crisis begins. Once the crisis has begun, there is so much confusion that it is difficult to study what should be done with them. Would it be possible for Your Majesty to order some contingency planning for a situation in which Jordan was attacked by Syria and Iraq?

Perhaps we could exchange views on this in the same way as on the Saudi contingency planning. You would do this only with Helms and he would communicate with us by messenger. This is important just so we will know what is going to happen.

The Shah: Perhaps I should contact King Hussein. We could play the Kurdish card and encourage them to begin skirmishing. That would drag Iraqi troops to the north of Iraq away from Jordan. We could also reinforce our borders.

Mr. Kissinger: That sort of thing would be good for us to know.

The Shah: We also have the transports for providing logistical support.

Mr. Kissinger: The trick in a crisis like this is not to piddle away your commitment of forces.

The Shah: No, it cannot be done piecemeal.

Mr. Kissinger: Exactly. Each of us should know what the other is doing. Perhaps you should talk to King Hussein.

Ambassador Helms: General Khammash often comes to Tehran. He is their retired Chief of Staff. We can talk with him.

The Shah: For the moment, you should get Jordan one more C-130.

I was rather favorably impressed in the Pentagon. Secretary Schlesinger told me that he would find a way to further strengthen Iranian airlift.

Mr. Kissinger: Schlesinger is the best Secretary of Defense we have had in terms of seeing the President's strategy.

The Shah: I have one brigade of paratroopers and one brigade of special troops that I could drop in 24 hours. But to reinforce them with tanks and artillery I do not have that kind of airlift yet. I have been looking into the jet transports. Do you know anything about the C-142? The C-5 is too large. But I need something to transport my tanks. If I had the C-142, it would take just half the number of planes to perform the same operation.

Ambassador Helms: I will look into this when I get back to Tehran.

The Shah: I saw a C-5 on the taxi strip at the airport. It is a big plane.

My main effort will be to develop my Air Force. That way, I can break the spine of an eventual enemy within hours.

The Pentagon agreed that Iran should buy the F-14 and F-15. The mix of aircraft is still to be decided. I might buy three squadrons of nine each of the F-14 with three spare aircraft, that would total 30. That is about one year's production. I might also buy three squadrons of 16 F-15's each, that would be 48 aircraft plus two spares for a total of 50.

I need to decide whether I should go to 2 squadrons of F-14's and four squadrons of F-15's instead.

Mr. Kissinger: I will have my own systems analysts look at this.

The Shah: It is a fantastic plane.

Ambassador Helms: That is the only word for it.

Mr. Kissinger: What can it do that the F-4 cannot do?

The Shah: It is more long-legged. It is faster. It goes higher. It carries its own radar launching capability for 6 Phoenix missiles. It has a TV guidance system to take the missiles to their targets. It is expensive, but you pay for what you get. Of the 6 missiles, at least 4 can be counted on to hit the target. Even if there were kills with only 3, knocking down 3 planes with one and with no danger to your own plane is well worth the expense.

Imagine the affect on your enemy's morale! His planes would be knocked down while yours are untouched. I call this "air supremacy" not "air superiority."

Maybe it would be best to order the F-14 soon. I noticed a story in *The Washington Post* this morning that the Senate is cutting a lot of the budget for the F-14. If we could have some agreement soon on the purchase, then we can take our time. As a principle, everybody must know that we are buying these aircraft.

Ambassador Helms: The Senate took the bowels out of the program yesterday.

The Shah: Our air space is large. We have to keep these planes in two or three places. That is why I need maybe three squadrons. If my

purchase went through now, it would help you get your production line moving.

Mr. Kissinger: There are two other quick items I would like to raise. One is that the Indians have proposed guarantees for Pakistan if they could slow arms flowing into the area.

The Shah: To whom? To us?

Mr. Kissinger: What would you like us to say to the Indians if they raise this again?

The Shah: In general that this should be discussed among Pakistan, Iran and India. If the Indians cut the size of their armies to the size of their neighbors' armies, then they would have a point.

Mr. Kissinger: This did not seem a serious proposal to me. Their ambassador has delusions of Machiavellianism. He doesn't like your ambassador either.

The Shah: I told Swaran Singh [Indian Foreign Minister] that if there are to be any security arrangements involving South Asians, they must include Pakistan. It should not be the Asian Security Pact of the Soviets but a local one for just this region. But it must not be arranged from a position of weakness.

Mr. Kissinger: When I visit China, may I tell them in a general way the principles on which we are operating. I may give them more specificity with regard to Pakistan. That is where their main interest lies.

The Shah: I am telling the Russians that they should mind their own business about the arms. What is good for the Soviet Union is good for us when it comes to arming ourselves. [What the Shah seemed to be saying is that if the Soviet Union can arm itself so as to deal from strength with the U.S., the Soviets cannot tell the Shah that he should not do the same.]

Mr. Kissinger: We will tell nothing to the Soviets. You can be certain of that, despite what they may tell you. If I say anything to the USSR, I will let Your Majesty know through Ambassador Helms. Otherwise, Your Majesty can assume that I have said nothing and that anything the Soviets say to Your Majesty is being fabricated.

The Shah: Yes, I am confident that you will continue, as the President said, to tell the Soviets that Iran is a sovereign country.

Mr. Kissinger: In addition to our friendship with Your Majesty, it would be totally against U.S. interests for us to do anything to restrict Your Majesty's freedom of maneuver.

The Shah: On what else could you base your policy?

Mr. Kissinger: Our policy is gradually to bring the Chinese in and eventually link up with Turkey.

As Dr. Kissinger rose to go, the Shah invited him to visit Tehran. Dr. Kissinger replied that he would be very pleased to do so at some

point. The Shah replied that any time would be fine except that in February he usually goes skiing. The meeting ended with Dr. Kissinger's wishes for a safe return to Tehran.

Harold H. Saunders<sup>7</sup>

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<sup>7</sup> Printed from a copy with this typed signature.

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### 31. Memorandum of Conversation<sup>1</sup>

Washington, August 3, 1973, 4:30 p.m.

#### PARTICIPANTS

Henry A. Kissinger, Assistant to the President  
 Richard Helms, US Ambassador to Iran  
 Harold H. Saunders, NSC Staff

Dr. Kissinger and Ambassador Helms had spent ten minutes or so in private conversation before Mr. Saunders joined them and began taking notes.

Helms: Well, Henry, I don't think I have too much business that remains to be done.

Kissinger: When are you going back?

Helms: I will be back in Tehran on August 15. I will be at the shore this weekend, then in New York seeing my mother. I will stop over for a couple of days in London where I will be available through the embassy.

I think we have the Kurdish problem on circuit. We will have a memo from CIA in a short time. They are doing an assessment of whether the Kurds have enough arms.<sup>2</sup> Depending on that assessment, then the issue will be whether there should be any more hardware or

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box TS-28, Geopolitical File, Iran Chronological File, Memcons, Notebook, 30 May '72–15 September 1973. Secret; Exclusively Eyes Only. The meeting was held in Kissinger's office. Drafted by Saunders on August 7. All brackets are in the original. On August 3, Saunders sent Kissinger a briefing memorandum for this meeting, with a checklist of follow-up actions from the Shah's visit and a memorandum on contacts with the Fatah leadership. (National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

<sup>2</sup> Presumably a reference to Document 227.

whether the issue is simply providing or not providing additional economic aid.

Kissinger: What do you think they should have?

Helms: I will not know until I have this assessment. Perhaps Saunders could telegraph it to me so that I can give you my views.

Kissinger: I have thought about your message from Arafat.<sup>3</sup> We have a nothing message to send back to him. It doesn't say anything. As long as he hears from us, that is something.

Helms: I will tell my man simply to keep the channel open and to say that if they have anything to tell us, he will be available.

Kissinger: We have a few paragraphs here which you could have your man pass on. They don't really say anything. [Memo attached.]<sup>4</sup>

Helms: [After reading] The last paragraph is all that really is needed.<sup>5</sup>

Kissinger: My experience with these channels is that all one really needs to do is to keep them open and to see what the other side puts into them.

Helms: I will keep this piece of paper to myself. It is too formal to give them a paper. I will let my man pass on the substance orally.

Kissinger: From whom will you say this is a response?

Helms: The US government. I think it is desirable to keep this as general as possible. They should know that they will just clog up the system if they press for too precise an answer. They are beggars, not choosers in this situation.

Kissinger: I will see Ambassador Zahedi and give him some language to use in his briefing for Ismail.

Saunders: I see [*less than 1 line not declassified*] that he has already sought his appointment with Ismail.

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<sup>3</sup> At their July 23 meeting (see Document 24), Helms gave Kissinger a report from a Fatah contact whom he described as "Arafat's right hand man." The contact reported that while Arafat could not guarantee complete immunity from terrorist acts, he, Arafat, had "'put the lid on' American operations by the fedayeen and that the lid would stay on as long as both sides could maintain a dialogue." The contact went on to say that this was "not a threat;" rather it was a "recognition that talking was necessary." (National Archives, Nixon Presidential Materials, NSC Files, Box 1027, Presidential/HAK Memcons, April–November 1973, [3 of 5])

<sup>4</sup> Attached but not printed is an undated paper entitled "Paper for Response to Palestinian Approach." It is printed in *Foreign Relations, 1969–1976*, volume XXV, Arab-Israeli Crisis and War, 1973, Document 81.

<sup>5</sup> The last paragraph of the paper reads: "Exactly how Palestinian interests reach an accommodation with those of others in the area is best decided by negotiation. If the Palestinians are prepared to participate in a settlement by negotiation, the U.S. would be pleased to hear their ideas. The objective of overthrowing existing governments by force, however, does not provide the best way."

Kissinger: [1 line not declassified]

Zahedi isn't very bright is he?

Helms: There is divided opinion on that. On some issues he is pretty good, but on others he gets quite emotional and is not effective. In short, he is not effective. In short, he is not a known or predictable quantity.

Kissinger: What issues has he handled well?

Helms: He did the Bahrain negotiations very well, but he gets emotional on some things and then isn't worth very much.

Kissinger: The President is still smarting from Zahedi's having invited McGovern<sup>6</sup> to his dinner for the Shah and the President. Whoever made out that guest list?

Saunders: Zahedi made it up.

Helms: If I were making up the guest list, they are not the people I would have chosen to put on a list for a social evening with the President. But as it turned out, I think it worked quite favorably for the President.

Kissinger: I do too, but that is not the view elsewhere in this building. I don't mind seeing these people. I see them all the time socially. Kay Graham<sup>7</sup> called me and asked my advice. I urged her not to accept the invitation and she was very good about it. I don't know what the President would have done if she had been there. He might have left. That would really have ripped it. I don't know how relations with the *Post* could get any worse, but that would not have helped.

I asked the Israelis whether they would consider retro-fitting the Jordanian tank. They promised to consider it. The retro-fitting and the C-130 are both money problems for us.

Helms: I don't really have any view on these Jordanian issues. But please just keep me informed so I can tell the Shah where this issue stands.

Kissinger: Why don't we ask Rifai whether he would rather have a C-130 than some other items in his military assistance program? Some people keep raising the question of a mission to Saudi Arabia. That mad man Clements wants to go out to Saudi Arabia on a mission.

Helms: I got an ear full yesterday when I saw him yesterday about the undesirability of having any contingency plans that involve Iranian involvement in Saudi Arabia if there is trouble there.

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<sup>6</sup> Senator George McGovern was the Democratic candidate in the 1972 Presidential election.

<sup>7</sup> Katherine (Kay) Graham, publisher of *The Washington Post*.

Kissinger: We had an SRG meeting on this subject.<sup>8</sup> I just raised the issue of what we would do if we woke up some morning and found a radical government in Saudi Arabia. Clements made an impassioned plea that Iran must never become involved in Saudi Arabia. He sees the answer as a mission to Saudi Arabia on which he serves. His solution is to pour arms into Saudi Arabia and then to squeeze Israel for a solution to the Arab-Israeli problem.

The way I see it is that any settlement Israel is likely to buy will be unfavorable to the Arabs. Therefore, we should get the radicals to sign it. If the Saudis are involved and have to sign it, if the Saudis yield to Israel, that could shake the monarchy. My strategy is to keep them uninvolved.

Helms: Clements should not go to Saudi Arabia. He has too many business interests out there. I understand that an economic mission under Casey might go to Saudi Arabia. That would be a good idea.

Kissinger: I am trying to get Simon to go.

Helms: That's not a very good idea. We shouldn't be sending him out if he is Jewish. Casey is an intelligent man and he could do a good job.

Kissinger: Is Simon Jewish? I hadn't thought of that.

Saunders: One alternative is to invite Prince Fahd to come here. I have sent you a memo recommending that.<sup>9</sup>

Kissinger: Where is the memo? That is a good idea. I would approve having Fahd come here.

Saunders: Does that mean I should go ahead with the recommendation in my memo? I sent the memo over earlier in the week.

Kissinger: Let me look at the memo. I will approve it tomorrow morning. What do you think of having Fahd over here?

Helms: I think it's a fine idea. My view has been that we have not done enough for the Saudis. Do I understand that we now have asked for agrément on Jim Akins as ambassador?

Kissinger: Yes, I removed the hold on him. Do you think this is a good idea?

Helms: Yes, it will be all right. Akins has been heavily involved in oil. But he is a big enough man to put that in the background and to show that he can deal with other issues.

Kissinger: Whom do you think would be a good ambassador?

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<sup>8</sup> See Document 23.

<sup>9</sup> The July 30 memorandum is scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

Helms: As I said before, I just think you need someone who has “RN” stamped on his forehead.

Kissinger: We can build him up when he gets out there.

Helms: Akins is a bright fellow.

Is there anything that came up in the President’s conversation with the Shah that I should know that I would not normally deduce?

Kissinger: I will show you the notes before you go.

At this point Dr. Kissinger was called out by General Haig. After several minutes he returned and agreed with Ambassador Helms that Helms would follow up on the contingency planning which the Shah promised to do on Saudi Arabia and Jordan. Mr. Saunders left, and Dr. Kissinger and Ambassador Helms continued their conversation.

**Harold H. Saunders<sup>10</sup>**

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<sup>10</sup> Saunders initialed “H.S.” above this typed signature.

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## 32. Memorandum of Conversation<sup>1</sup>

Washington, August 13, 1973, 3:10–3:40 p.m.

### PARTICIPANTS

Ardeshir Zahedi, Ambassador of Iran

Henry A. Kissinger, Assistant to the President for National Security Affairs

Peter W. Rodman, NSC Staff

Kissinger: Are you rested up after your invasion?

Ambassador Zahedi: I wanted for the record to thank you for the visit, not only on behalf of the Shah but also for the Crown Prince and Her Majesty.

Dr. Kissinger: I think it was a good trip. We had good talks.

Ambassador Zahedi: It was the first trip outside of Persia for the Crown Prince. They took him to Disney World, Cypress Gardens, and Cape Kennedy.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Top Secret; Sensitive; Exclusively Eyes Only. The meeting took place in Kissinger’s office. All brackets are in the original.



Dr. Kissinger: When did His Majesty accede to the throne?

Ambassador Zahedi: In 1940. He was nineteen years old.

Dr. Kissinger: He is one of the ablest leaders. I'm not just saying that.

In 1969 I called on him at your predecessor's Embassy. He developed his ideas on the oil situation. All of our experts said he was wrong. It turned out that all our experts were crazy and he was right.

Ambassador Zahedi: In 1961 I remember he told President Kennedy that you would need twice as much oil in the 1970's. Our relations have always been good.

Dr. Kissinger: You can be sure we follow up everything we promise. We are waiting to hear from him on some things.

Ambassador Zahedi: I called you about what we call the LSC<sup>2</sup> personnel.

Dr. Kissinger: Did they give you that stupid letter?<sup>3</sup>

Ambassador Zahedi: Yes.

Dr. Kissinger: [calls Scowcroft] Brent, tell the Pentagon to knock it off. [to Zahedi:] This is just a draft of an agreement. You can still tell us what your objections are.

Ambassador Zahedi: In one place it says "from time to time."<sup>4</sup> Our objection is from top to bottom! What does it mean, "time to time?" "Hostile action in or over Iran, where there is riot, insurrection, civil war"—This is contrary to the spirit of the talks with the Shah. I think it was drafted before he came.

Dr. Kissinger: It's stupidly drafted. It means that if there are riots while the Russians invade you can't use them!

Let's see if we can get a simpler agreement drafted.

Ambassador Zahedi: There was a major agreement in Tehran.

Dr. Kissinger: These are the excerpts you have trouble with. I understand. I'll get you something in a week. Let's get them to tone it down.

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<sup>2</sup> Logistics Support Corporation (LSC) was a Boeing subsidiary that agreed to train Iranian Government personnel in the operation of Boeing air tankers purchased by the IIAF.

<sup>3</sup> Apparent reference to a proposed contract between the IIAF and LSC on "Limitation of Missions Logistics Support Corporation (LSC) Flight Personnel." According to a memorandum for the record by Rouse, August 21, the Shah objected to "a clause in the contract providing that flight personnel would crew the aircraft for routine operational activities in addition to training but would not be required to participate in the operation of the aircraft in any hostile situation within Iran or involving other countries." (National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

<sup>4</sup> The sentence reads: "It is recognized that the LSC Flight Personnel will, from time to time, be training Iranian government personnel in the operation of the aircraft."

Ambassador Zahedi: You also have the information that I'm seeing your friend on the 25th.<sup>5</sup>

Dr. Kissinger: Yes. And I have given you something you can tell him. [Tab A]<sup>6</sup> I want to eliminate the last sentence.

[Zahedi reads it]

Dr. Kissinger: Are you coming back here from Geneva?

Ambassador Zahedi: I would send this to him, then I can talk with His Majesty on it.

Dr. Kissinger: I thought we wouldn't send a cable on it.

Ambassador Zahedi: No cable. We would send a messenger especially to get it. And it's only between His Majesty and myself. No one else on our side is involved.

Dr. Kissinger: We don't need the last sentence. [Sentence reading "Egypt should try to develop a proposal that Israel cannot refuse," is deleted.]

Ambassador Zahedi: "We would urge . . ."<sup>7</sup>

Dr. Kissinger: That is all right.

Ambassador Zahedi: Do you think the present situation in Lebanon will have an effect on it?

Dr. Kissinger: No, because something like this will happen all the time. As I told the Shah, for four years people asked us about Vietnam: Will you bring pressure on South Vietnam? It was a senseless question, because there was nothing to bring pressure about. It is the same with Israel—to ask for total withdrawal as a precondition for negotiations . . .

Ambassador Zahedi: Is that your only problem?

Dr. Kissinger: It is also senseless for a country which lost a war to demand it as a precondition. It could be the end result, but as a precondition . . .

Ambassador Zahedi: I've been involved with this for six years, in the United Nations and lately. I've talked with Eban. Many times I've convinced him, but either he couldn't convince his people, or he changed his mind. In 1969 when the Rogers Plan came out, I persuaded the Egyptians not to attack it.

Many times they say they will accept but then change their mind.

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<sup>5</sup> Zahedi was to meet with Ismail in Geneva on August 25. Since Ismail could not come, Zahedi met with Ghorbal.

<sup>6</sup> Not attached. The undated note, which summarized the U.S. position on the Arab-Israeli conflict as expressed by Kissinger to the Shah during his July visit, is in the National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. See Document 27.

<sup>7</sup> The final sentence of the note reads: "We would urge greater tactical flexibility."

Dr. Kissinger: No question. The Israelis will be tough. They don't want to accept anything. But I think they must have a spy in Egypt. If they withdraw twenty miles, there is no line as defensible—I mean not militarily, but politically and intellectually—as the present one. Our interest is to get a process started, to get a precise issue we can support the Arabs on.

Ambassador Zahedi: But they have become so suspicious. Hafez Ismail is a friend of mine.

Dr. Kissinger: I like him. He is a nice person.

Ambassador Zahedi: He is a reasonable person.

Dr. Kissinger: Tell him I expressed very high personal and professional regard for him.

Ambassador Zahedi: Yes, I will. I think the Israelis are making a serious mistake. I think time is not on their side.

Dr. Kissinger: Yes.

Ambassador Zahedi: I told Eban: Look at the opinion change on Vietnam. On the energy crisis: You would never have thought of what Mobil Oil would say and what Standard would say to their stockholders.

Dr. Kissinger: I agree. But the oil companies are stupid. You know that. You have dealt with them. Stupidity is not an Iranian problem! But it is not a good idea to get the Saudis involved in the Arab-Israeli dispute. It is better to keep it among the Israelis, Egyptians, Syrians, and Jordanians. Don't you agree?

Ambassador Zahedi: Yes, yes. As with Nasser, they become slaves of what they have said.

Dr. Kissinger: It is not in the interests of the Saudis.

Ambassador Zahedi: That's what I tell him.

Dr. Kissinger: No conceivable solution is going to be all that acceptable to the Arab governments. Why not let the Egyptians take the heat?

Ambassador Zahedi: It won't be easy for Anwar Sadat.

Dr. Kissinger: We are willing to be helpful. And we recognize we are going to have difficulties with Israel. We are willing to run that risk, but first we have got to have a workable proposition. What Sisco is doing is absurd—he asked the Israelis on Israeli T.V. to be “flexible.” Then they come up with an unacceptable proposition and we have shot our wad.

Ambassador Zahedi: We've got to have peace there.

Dr. Kissinger: I don't want to get personally involved. I'll be the first one to be assassinated by both the Jews and the Arabs!

Ambassador Zahedi: I told His Majesty once that everyone wanted you in but you didn't.

Dr. Kissinger: I'll get involved but only if it's worth it.

Ambassador Zahedi: But you have to. It's the only way.

Dr. Kissinger: But I can't if Ismail just recites positions I can read in the newspaper.

Ambassador Zahedi: I haven't seen Ismail for many months. Let's see. But they fear that if they move, the whole thing shifts.

Dr. Kissinger: I may not be all that easy to negotiate with, but every promise I make I keep. The problem now is I have nothing I can deliver.

How are you going to communicate with us?

Ambassador Zahedi: I have to see you. I leave Tuesday or Thursday next week to see him in Switzerland. Either I will write to you or I will see you.<sup>8</sup>

Dr. Kissinger: I'll be on the West Coast until the 3rd or 4th of September, so you will have to come out there.

Ambassador Zahedi: It is no problem.

I'll see Bhutto. You can trust him. I know him.

Dr. Kissinger: I understand there is lots of anti-Indian feeling in Bangladesh now.

Ambassador Zahedi: Yes. Like in Yemen with the Egyptians.

Dr. Kissinger: I've held all along that the worst mistake India made was to make Bangladesh an independent state, as a protectorate of India. It would have been better off with it as an autonomous entity in Pakistan.

Ambassador Zahedi: I told that to Mujib. I told that to Bill Rogers, too.

Dr. Kissinger: Good. So you'll be in touch with me.

Ambassador Zahedi: This is not too important, but it came up. I have already talked with the State Department on it: We had an agreement with the U.S. about 600,000 tons of wheat, 100,000 tons of barley and 70,000 tons of soybeans. Since we have an agreement, I thought we

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<sup>8</sup> August 21 or 23. Following his meeting with Ghorbal, Zahedi met with Kissinger in Washington on September 15. According to a memorandum of conversation, Zahedi informed Kissinger that "Egypt could accept that total withdrawal has to be stage-by-stage" but that all the contentious issues had to be dealt with from the outset and guaranteed. Zahedi had assured Ghorbal that if a compromise were found, "Egypt could count on the U.S. to press Israel, even with the Jewish pressures on the U.S." Ghorbal, Zahedi concluded, was interested in good relations with the United States, but also in an even-handed U.S. policy in the Middle East and "a tangible and concrete suggestion." (National Archives, Nixon Presidential Materials, NSC Files, Kissinger Office Files, Box 132, Country Files, Middle East, Egypt, Ismail, Vol. IV, May 20–September 30, 1973)

should not be affected. State is handling it. But if there is any problem, I will let you know.

Dr. Kissinger: I'll intervene.

Ambassador Zahedi: If necessary.

[The meeting then ended at 3:40 p.m.]

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**33. Backchannel Message From the Ambassador to Iran (Helms) to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Tehran, August 20, 1973, 0558Z.

86. 1. At large dinner on August 18 given by Queen Mother in his honor, Shah asked me to join him for brief discussion since he was immediately returning to Nowshahr for another week before settling down in Tehran.

2. Shah touched briefly on Afghan note about arrest in Pakistan of Baluchi leaders. This is covered in normal State channels.

3. I told him that I had made recommendations to you about support of Kurds and that you wanted his reaction plus his own indication of how much increased help Iran would give. (Tehran 085)<sup>2</sup> We agreed that Agency chief here would handle this with him since both have dealt with details of this matter in past. Shah will receive him promptly at Nowshahr. It clear that Shah wants to inform Barzani shortly of U.S. and Iranian decisions and will summon him to Tehran for this purpose.

4. Shah reminded me that both you and Defense had promised him recommendations on the proper mix of F-14 and F-15 aircraft he should purchase. I indicated that such studies take time but that I would inquire of you when some response might be expected.

5. We agreed to talk about contingency plans for Saudi Arabia and Jordan when he returns to Tehran. He said that you had mentioned this matter to Amb. Zahedi but that he had told Zahedi he would handle with me. Incidentally, there was something in Shah's manner which made me concerned that he may be overreading this exercise. The Oriental mind can rapidly conjure up elements which do not neces-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Secret; Eyes Only.

<sup>2</sup> See footnote 3, Document 229.

sarily exist, and I feel that it behooves me next time around to put this in proper perspective. The last thing we need is some ill-advised move or inquiry which might get back to Saudis. It is hazardous enough to deal with the Shah himself and what might become his temptation to do some leaking for his own political purposes.

6. Warm regards.

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#### 34. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, August 20, 1973, 1141Z.

5888. Dept pass to Dr. Kissinger. Subject: Commodity Situation. Ref: A. State 159320, B. State 163272.<sup>2</sup>

1. Upon my return to Tehran I reviewed as a matter of urgency commodity situation including what has been passed to the Iranians (Ambassador Zahedi and Bank Omran, Ref A) on outlook for commodity sales under PL-480 and CCC. In light of conversations I held in Washington on my recent visit, I conclude present situation as reflected in reftels could have almost disastrous effects on Iranian food situation and policy, as well as on our relations with Iran. Outlook is extremely bleak and I believe we should be as candid as possible with the Iranians so that they can better adjust and devise alternative policies.

2. Iran is heavily dependent on US sources for grain and vegetable oil. In recent years it has bought from US about 700,000 tons annually wheat (mostly Western white) and 70,000 tons of oil. GOI is already subsidizing bread industry to keep price at level acceptable to masses of people for whom bread is main source of nourishment. With sharp rise of wheat prices this subsidy will have to be raised accordingly, assuming wheat is available for import at world price, in order prevent popular unrest.

3. We are already hearing statements of concern and unhappiness over commodity outlook, so far from those directly involved in pro-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May 1973–December 1973. Confidential. Repeated to USDA.

<sup>2</sup> In telegram 159320 to Tehran, August 11, the Department related that, due to commodity shortages, it had been unable to offer Zahedi the assurances that he requested on agricultural sales to Iran. (Ibid., RG 59, Central Foreign Policy Files, [no film number]) Telegram 163272 to Tehran was not found.

curement such as Bank Omran officials. We can confidently anticipate, however, that level at which concern is expressed will quickly rise—eventually to the top.

4. Facts of world commodity situation are such that there is obviously no easy way out. Our inability to supply commodities at previous low prices (and in case of some our inability to supply at all) will displease GOI, no matter how we present facts. To keep this displeasure at lowest possible pitch, I believe that I should be in position frankly to lay before GOI, possibly including Shah, facts in their coldest, most accurate form. I would like to do that at earliest possible time, going to GOI before some high official calls me in to express his concern. By doing that I believe that we may forestall charges of bad faith.

5. To be able to make this approach I need (A) in easily usable form latest and most accurate and complete figures available on outlook for commodity supplies and prices for this and next year; (B) well reasoned explanation of causes of current shortages, and (C) rationale for any exceptions we may be making overseas which will quickly come to attention of GOI. I would also appreciate being informed about what we can tell Iranians how commodity situation is shaping up next year and what Iran may reasonably expect.<sup>3</sup>

**Helms**

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<sup>3</sup> The Department responded in telegram 171499 to Tehran, August 28, providing the Embassy with figures on world commodities, noting that the tightness of the supply was due to "world-wide inflation, US devaluation, rising income and dietary levels in many countries combined with crop losses in many parts of the world." (Ibid.) In backchannel message 90 to Laird, September 4, Helms asked if telegram 171499 was an "accurate reflection of true situation?" Laird responded in backchannel message WH31975 to Tehran, September 6, that the telegram was too "hedged" but that "the thoughts outlined in the State message are correct." (Both *ibid.*, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa)

## September 1973–November 1974

### 35. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, September 13, 1973, 150Z [sic].

6506. Subject: Views of Shah on Oil and Other Prices. Ref: (A) Tehran 62/79, (B) Tehran 6462.<sup>2</sup>

1. At end of audience granted to introduce General Duval Brett, new Chief of ARMISH/MAAG, Shah referred to increased crude oil prices in Indonesia, Nigeria and Venezuela. He commented, "Granted that much of this oil is of low sulphur content, it would not make sense for us to ask less for our oil than they are getting for theirs." The Shah then switched to a discussion of commodity and other price rises stating, "It is fantastic how prices of food and other items have risen in the United States. Some are up 3 and 4 hundred percent. Where is all this going to bring us? As oil prices go up, it will cause even further increases in the price of goods and commodities which we must import. I never anticipated that the increases would come so fast or be so large. If you and the Europeans do not get together and do something about these spiralling prices, I cannot see how serious trouble for the Western economy can be avoided." At this point I moved in to emphasize favorable crop reports from the United States which would have some effect on existing food prices. I also pointed out that the United States had this year planted 55 million additional acres of food which in ten months to a year would inevitably have an effect not only on availability but also on prices. From the expression on his face it was clear that the Shah had not appreciated the significant dimension of this U.S. agricultural move.

2. As indicated in reftel (B), the Shah is not only deeply concerned but also torn over how to proceed in the economic field. He said that he intended to keep down the price of domestic wheat since he had found it difficult to reduce prices once they had been raised, and he emphasized the problems he has with prices and shortages on such items as sugar, vegetable oil, fertilizer, and particularly cement. It is interesting

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May 1973–December 1973. Secret; Exdis.

<sup>2</sup> The reference to 62/79 is an obvious error. Telegram 6462 from Tehran, September 12, described an article in the officially-inspired Iranian press, which argued that policy-makers in Iran wanted the industrial nations to adopt zero growth policies and to receive a moderate shock from OPEC's meeting on oil prices, which was scheduled for September 15–16. (Ibid., RG 59, Central Foreign Policy Files, [no film number])



to note that his preoccupation with the economy has suddenly come into focus within the last two weeks since he made no mention of these matters when I had an hour's talk with him on August 28.

3. The Shah said nothing to indicate that the prognoses about oil prices in reftels (A) and (B) are inaccurate.

4. *Comment:* There have been many indications from GOI Ministries of growing concern over the effects of world inflationary pressures on Iran's own price stability.<sup>3</sup> The Shah has long been proud of GOI extraordinary record in this regard. However, it is becoming more and more expensive for Iran to continue to subsidize wheat, meat, sugar, vegetable oil and other sales to the public. Failure to do so now would cause serious and perhaps active dissatisfaction.<sup>4</sup> These concerns have obviously found their way to the Shah in concentrated form. He appears to be seeking, so far without success, to find a rational way to approach these multiple problems. It seems clear that he is torn on the one hand by the need to keep his international image as a leader in petroleum affairs intact and on the other by a growing realization of the direct effects of international price increases on Iran's own economic development.<sup>5</sup>

**Helms**

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<sup>3</sup> In airgram A-166 from Tehran, November 17, the Embassy observed that Iranian inflation was seriously affecting the poor, who found various essential food items either unavailable or too costly, and that the recent strike in Abadan (see footnote 4 below) showed the importance of quick action. "As it has in the past, the government has taken notice of the complaints but GOI actions, made doubly difficult by inefficiency and corruption, have been largely cosmetic and have sometimes tended to worsen the situation." The Embassy concluded that the most important domestic reasons for the inflation were an increased money supply, too few goods, booming economic growth, and large budgetary deficits caused by high military expenditures. (National Archives, RG 59, Central Files 1970-73, E 8-1 IRAN)

<sup>4</sup> Telegrams 6747 and 6796 from Tehran, September 22 and 24, reported on the strikes at the Abadan and Bandar Mahshahr oil refineries, where, to offset recent price hikes, workers demanded new ration cards for the company store and a 20 percent salary increase. (Ibid., Central Foreign Policy Files, [no film numbers]) In telegram 6822, September 25, the Embassy noted that the government was refusing to give in to workers' demands and that refinery officials were blaming Iraqis for orchestrating the strike. (Ibid.) According to telegram 6900 from Tehran, September 27, the strike had ended due to management's threats of violence, but that future disturbances were likely. (Ibid.)

<sup>5</sup> According to telegram 7127 from Tehran, October 8, the Shah's opening speech to Parliament included a pledge to cut back on imports and increase domestic production, while promising a salary increase for government workers by 1978, ongoing government subsidies for staples, and committees to combat profiteering. This speech, the Embassy wrote, "emphasizes ineffectiveness to date of government control programs. Imperial proposals for solution show no intention to abandon past policy of favoring industrialists and industry-related imports. However, proposals do seem to presage belt-tightening for consumers in some sectors." (Ibid.)

### 36. Telegram From the Embassy in Iran to the Department of State and Department of Defense<sup>1</sup>

Tehran, September 25, 1973, 0920Z.

6816. Pass White House. Subj: Price and Availability of F14/15 Aircraft.

*Summary:* Concerned to plan now for his future air defenses, Shah has requested firm commitment in writing that USG will supply Iran with F14/15 aircraft. Action Requested: Language with which we may reply to Shah's request. *End summary.*

1. During audience August 28 Shah asked Ambassador to obtain info on price and availability of F14/15 aircraft. Chief, ARMISH/MAAG, solicited this information through technical channels and received reply on 18 September. In substance, reply stated that reasonably accurate P and A info would be available for F14 in early 1974 and for F15 in 1975. Reply indicated that definite information would not be available until procurement had been authorized by Congress. When Congressional direction was established, DOD could prepare P and A data. This information was communicated to Gen. Khatami, Commander IIAF, by Chief, ARMISH/MAAG, and conveyed by Khatami to Shah.

2. On September 24, Khatami gave ARMISH/MAAG Shah's response. While Shah understood conditions described in ARMISH/MAAG letter, he felt that it was essential that F14/15 purchase be "nailed down" as soon as possible. Iran must have firm commitment on availability of these aircraft, Shah emphasized. Asserting that MIG 23 and other advanced model aircraft were being provided to countries neighboring Iran, Shah feared Iran "could be left holding the bag. I will not permit this to happen."<sup>2</sup> Shah said Russians had offered sophisti-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Priority; Exdis. Repeated to USCINCEUR.

<sup>2</sup> In telegram 6982 from Tehran, October 2, the Embassy noted that Clements's statement that Iraq had Soviet TU-22 bombers had heightened the Shah's interest in F-14 and F-15's, and warned that Iran might announce its intention to buy three or four planes for every one Iraq received, since "Shah feels USG and GOI have been outmaneuvered now that Iraqis have TU-22 before Iran has F-14." (Ibid., RG 59, Central Foreign Policy Files, P750018–1364) In backchannel message 98 from Tehran, October 2, Helms asked Kissinger if "this kind of irresponsible utterance" from the Defense Department could be stopped, adding that it would be better to tell the Iranians of such developments quietly, "rather than to have them overreact publicly to stimulation by press stories, which they inevitably do." (Ibid., Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa) Kissinger agreed in backchannel message WH32433 to Tehran, October 3, noting that a new directive to all Cabinet officers would require White House clearance of statements with foreign policy import. (Ibid.)

cated aircraft on several occasions and would be eager to replace Western equipment and influence.

3. Shah stated that he was concerned about developing international political situation which might force USG to alter its verbal agreement to sell F14s and F15s. A signed agreement would enable him to plan on a firmer basis. Accordingly, Shah requested commitment in form of a signed statement authorized by USG on availability of F14 and F15 aircraft. If the price of these aircraft could not be discussed now, statement on availability could include language to effect that price for Iran would not exceed price to be charged to USG. Iran would pay same price for hardware as USG.<sup>3</sup>

4. We hope it will be possible for State and Defense to provide us with text of statement meeting Shah's concerns. If it is not possible to make equally definite commitment on availability of both aircraft at this stage, suggest that consideration be given to treating the two aircraft separately on this point. However, as Shah's request treated aircraft on same basis, it would be preferable for reply to deal with two aircraft in as nearly similar terms as possible.

**Helms**

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<sup>3</sup> Telegram 197528 to Tehran, October 4, gave Helms authority to agree to the sale of F-14 and F-15 aircraft to Iran, at the same cost as to the U.S. Government. (Ibid., RG 59, Central Foreign Policy Files, P750018-1945)

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### **37. Editorial Note**

On September 24, 1973, the Department of State notified the Embassy in Iran of a U.S. Air Force proposal to build a joint aeronautical station in Tehran which would provide ground-to-air communications between military aircraft and military installations, military aircraft traffic control, secure communications for aircraft carrying senior government officials, and, if desired, special air-ground communications for the Shah of Iran. An additional function of the station would be the Mystic Star mission for Presidential communications support, which was being relocated from Kagnev Station in Ethiopia. (Telegram 190374 to Tehran; National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa)

In backchannel message 96 from Tehran, September 27, Ambassador Helms inquired if Scowcroft and Haig believed that the "pro-

posed facility is really essential to Presidential support?" If it were, he noted, the Embassy would of course seek Iranian approval. "Nevertheless, there are many reasons why we would prefer not rpt not to have yet another American installation here." (Ibid.) Scowcroft gave a preliminary reply, pledging to look into the matter, in backchannel message WH32426, October 1. (Ibid.) Scowcroft's more extended reply has not been found.

On October 24, in telegram 7450 from Tehran, the Embassy presented the Department with a list of comments and questions about the proposed station. Voicing reluctance to expand the American presence in Tehran with 80 to 100 military personnel and more sites, the Embassy observed: "Mission staffing total is now approaching 1600 personnel plus dependents; large majority of these men and women are in military programs. Added to that figure are private Americans engaged in Iranian defense buildup; that number will probably exceed 2000 principals within one year." The Embassy acknowledged that U.S.-Iranian relations were excellent and that Iranians were generally not hostile to Americans, but also recognized "latent tensions in some quarters of population." Tendencies that were not yet solidified as popular discontent or anti-Americanism, but deserved watching, included "strains resulting from inflationary pressures, intellectual criticism of military expenditures, absence of political freedom, and recently, strong sympathy for Moslem cause in Mid-East fighting." As a preventive measure, the Embassy was reluctant to add to the U.S. presence unless it was absolutely necessary. Further, since the Shah was likely to agree to the station, but was sensitive to Congressional attitudes toward U.S. military programs in Iran, the Embassy wanted to wait until after Congressional approval had been obtained. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

Following further representations on both sides and consultations with the Joint Chiefs of Staff, the Department of State notified the Embassy in telegram 48516, March 11, 1974, that the most important part of the Air Force proposal, with the imminent shutdown of Kagnev, was the Mystic Star system. Associating the project with the proposed aeronautical station was a mere convenience, it noted, and Mystic Star could operate with 15 personnel in connection with an existing communications station. (Ibid.) The Embassy expressed no objection to this proposal in telegram 2039 from Tehran, March 13, 1974. (Ibid.)

**38. Backchannel Message From the Ambassador to Iran (Helms) to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Tehran, October 7, 1973, 2136Z.

99. 1. Am sending this message via this channel in interest of speed at this hour (0015L October 8 local). If you want it repeated via normal State channels, please advise.

2. Prime Minister Hoveyda, at Shah's instruction, summoned me at 2315 local to read me cable to Shah from President Sadat transmitted via Iranian Ambassador to Cairo who saw Sadat early afternoon Egyptian time October 7.<sup>2</sup> To summarize, cable gives optimistic description of Egyptian military position on East Bank of Suez Canal and of Egyptian prowess in crossing canal and establishing bridgehead there. Then cable requests Shah to inform President Nixon that Egypt until now, in order to avoid fighting, has been ready to accept peace under certain conditions. However, Egypt has now been obliged to fight and to take casualties. It still wants peace, a lasting peace in the area. Sadat wants President Nixon to know that if Israel will evacuate all the territories occupied since June 5, 1967, Egypt will be ready to negotiate sincerely to place these territories under the control of the United Nations, or under the control of the four big powers, or under some other international control to be agreed. As for Sharm al-Sheikh, Egypt is prepared to accept international supervision of freedom of navigation through Gulf of Aqaba after Israeli withdrawal. Sadat wants Shah to explain foregoing to President Nixon so that casualties may be stopped as soon as possible.<sup>3</sup>

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Secret; Eyes Only.

<sup>2</sup> Kissinger sent a message for the Shah in telegram 199655 to Tehran, October 6, informing him that Egypt and Syria had attacked Israel and that the United States hoped to restore the cease-fire on the basis of the status quo ante. He hoped that the Shah would "undertake efforts paralleling our own." (Ibid., Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973) Documentation on the 1973 war and U.S. efforts to negotiate a cease-fire is in *Foreign Relations, 1969–1976*, volume XXV, Arab-Israeli Crisis and War, 1973.

<sup>3</sup> The Embassy reported in telegram 7126 from Tehran, October 8, that Khalatbari had reiterated the Iranian position "that GOI would continue to back legitimate demands by Egypt, Syria and Jordan for return of their territories seized by Israel" in the 1967 war. The Embassy commented: "While it maintains friendly de-facto relations with Israel, which it values, Iran has to be careful not to offend Arabs both for reasons of external politics and internal conservative religious opinion which tends to sympathize with Moslem Arabs." The Embassy judged that Iran was embracing caution, "giving strong lip service to Egyptian and Syrian 'legitimate interests'" while advocating immediate action by the UN. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

3. Since Sadat offer set forth above struck me as somewhat improbable, I asked Hoveyda and his bilingual assistant to translate the cable for me three times.

4. New subject: Iraq offer to renew diplomatic relations with Iran will be answered October 8.<sup>4</sup> Iran will say that since Iraq broke relations, it is up to Iraq to make the offer, which Iran is ready to discuss provided Iraq is prepared to accept that the 1937 agreement is dead, that the British colonial heritage is a thing of the past, that Iraq will abide by existing norms of international law. In other words, Iran will not turn down offer out of hand to avoid giving Iraqis propaganda advantage but will not throw away Kurdish card by accepting on Iraqi terms. "British colonial heritage" refers to Iraq's continuing insistence that the 1937 agreement about the Shatt al Arab still obtains.

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<sup>4</sup> See footnote 3, Document 236.

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**39. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, October 13, 1973, 0937Z.

103. Following items were given me at 11:30 local October 13 by Court Minister Alam who acting on Shah's instructions. It requested that information be given to the President and Dr. Kissinger only rpt only.

1. Soviet Ambassador Erofeev had audience with Shah Thursday evening.<sup>2</sup> He asked Shah if Soviet military planes could fly to Damascus and Baghdad through Iranian air space. The Shah said "no." Erofeev then asked if Aeroflot might fly one of its aircraft once through Iranian air space to Baghdad to carry spare parts for Aeroflot planes in Syria. The Shah agreed to this one flight since it concerned a civilian air matter.

2. King Faisal requested the Shah this morning to send Iranian military transport planes to Saudi Arabia for internal use. The Shah imme-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Top Secret; Eyes Only. Sent with the instruction to deliver at opening of business October 13.

<sup>2</sup> October 11.

diately agreed to this request. Five C-130's are involved. They will be flown only inside Saudi Arabia and by Iranian crews. The Shah felt that he could not react otherwise to this request from King Faisal, because for years he has been waiting for the King to extend his hand in some such manner and this is the first time he has ever done so. In other words, the Shah did not feel that he could refuse the only request he has ever had from King Faisal.

3. The Shah believes that great emotion has been generated in Muslim countries over this war.<sup>3</sup> He regards it as unprecedented in his experience. By this fact, he feels, the present situation will be made much more difficult. It was his concern that such would be the case which led him in recent months to urge the big powers to find some solution to the Arab/Israeli problem.

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<sup>3</sup> In telegram 7325 from Tehran, October 17, the Embassy reported a "real growth of sympathy for Arab cause among all segments of Iranian population," as the Arabs continued to fight well. The factors behind this shift, the Embassy suggested, included religious solidarity, sympathy for the pursuit of lost Arab lands, rejection of Israeli bombing of civilians, and opposition to the pro-Israeli Shah, which could now find safe expression. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

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#### **40. Backchannel Message From Secretary of State Kissinger to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, October 14, 1973, 2336Z.

WH32501. In relation to the information which you passed in Tehran 103,<sup>2</sup> you should inform the Shah of the following U.S. policy considerations in relation to the current conflict in the Middle East:

(1) The United States is attempting to conduct itself in respect to the Middle East conflict in such a way as to be able to play a useful role in the resolution of the problems of the area, both in ending current hostilities as well as in achieving a permanent peace based on justice.

(2) Pursuant to this approach, the United States has continued to act with great restraint, voicing no criticism of Arab actions and, despite a massive Soviet airlift resupply effort, refraining from under-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Top Secret; Sensitive; Eyes Only. Sent with the instruction to deliver at opening of business October 14.

<sup>2</sup> Document 39.

taking any resupply action. However, in the face of the heavy and accelerating Soviet resupply effort, which has been under way now for five days, the United States has now been forced to initiate resupply activity of its own, emphasizing mostly consumable items.

(3) With respect to the conflict itself, there is one factor which must be kept constantly in mind. We hope that the Shah will understand that an Arab victory in the present conflict, obtained as it would be by the use of Soviet arms, coupled with the victory obtained by Soviet arms in the Indo-Pakistan conflict of 1971, would most certainly lead to a radicalization of regimes in the area and, at least to some extent, globally.

The Shah should know that we are trying our best to bring the war to a conclusion, with all the above considerations fully in mind. We sincerely hope that the Shah will not let himself be swept along by tactical considerations of the moment to the prejudice of the greater strategic goals which both our countries are pursuing jointly. The President is, of course, greatly appreciative of the courage and leadership shown by the Shah in refusing the Soviet request for military overflight of Iran.<sup>3</sup>

Warm regards.

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<sup>3</sup> The Embassy advised the Department in telegram 7511 from Tehran, October 25, that Deputy Foreign Minister Mirfendereski had been dismissed, apparently because he had exceeded the Shah's limit on the number of Soviet supply planes allowed to overfly Iran en route to the Arab combatants. (National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa) On November 5, in telegram 7725 from Tehran, Helms reported Alam's confirmation that the overflights were the cause of Mirfendereski's ouster: "He insisted, however, that there was only one civilian overflight of Iran consisting of six aircraft," which did not square with an Iranian Air Force report that there were 10 planes. (Ibid.)



**41. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, October 30, 1973, 1243Z.

110. Refs: A. Jidda Embtel 4745, B. Jidda Embtel 4708.<sup>2</sup>

1. What follows is an effort to wrap up for Secretary Kissinger before he begins his swing through this area<sup>3</sup> my views on the current state of mind hereabouts. There is nothing novel in what I have to say, but I thought the effort might be marginally useful to him.

2. Saqqaf's remarks to Ambassador Akins reported reftel (A) and Jidda Country Team message (reftel (B)) indicate Saudi Government is disposed to maintain solidarity with other Arab governments and keep pressure on the United States to influence Israel to accept the Arab interpretation of SC Resolution 242.

3. From our soundings in the Gulf, from among local Arab diplomats, senior Iranian officials who advise the Shah, and from remarks made on various occasions since last May by the Shah himself, we believe that Saqqaf's warning and the Jidda Country Team assessment should be taken seriously indeed.

4. We are in an unprecedented situation in which Saudi Arabia took the lead in underwriting economically the military initiatives of Egypt and Syria and in securing the financial and political participation of other conservative states in the united action. The ultimate failure of the Arab military effort has made even more dramatic and important the potential power of the Arab economic effort and in this Saudi Arabia is the key to success or failure. Faysal surely must enjoy the increased power and prestige of his new position. He is also deeply attached to the idea of a special status for Jerusalem, as Jidda has pointed out.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Secret; Sensitive; Immediate.

<sup>2</sup> Telegram 4745 from Jidda, October 29, transmitted Saudi Foreign Minister Saqqaf's message that good relations with the United States could not be restored until a just solution to the Middle East conflict was reached, and that his government's resolution to use oil as a political instrument was firm. (National Archives, RG 59, Central Foreign Policy Files, P750018–0141) Telegram 4708 from Jidda, October 25, transmitted Ambassador Akins's view that Saudi oil pressure would not cease until an acceptable settlement, including the disposition of Jerusalem, emerged. (Ibid., P750018–0154)

<sup>3</sup> Telegram 212612 to Tehran, October 27, sent Kissinger's message to the Shah advising him of his plan to visit Tehran on November 9 for consultations on settling the Arab-Israeli dispute. (Ibid., Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973) From November 5 to 9, the Secretary also visited Morocco, Egypt, Jordan, Saudi Arabia, and Pakistan.

5. It has been traditional on the basis of past experience to say that because of competing interests, the Arabs would not stand together to use the oil weapon effectively against the USG and its allies. Now, however, we have come into a new situation where old pressures for oil revenue no longer apply. Saudi Arabia and Kuwait have sufficient financial reserves to wait us out. And Europe and Japan have sufficient self-interest to deal directly with the producers, cutting out the American companies as middlemen, if this seems to them necessary to insure a steady flow of oil to their countries.

6. Saudi Arabia so far has applied only the mildest of measures to put pressure on the United States: the 10 per cent cut-back in production and an embargo on exports to the USA.<sup>4</sup> She has also, we suppose, applied a second informal pressure by not moving forward on new contracts with American firms. We do not know to what extent the SAG may have begun transfers of dollar reserves and investments. But I do believe we should be constantly aware of the possibility that other Saudi pressure options will be taken if we do not appear to be using our influence to secure adherence to SC 242. These options would be further cut-back in oil production; denial of overflight rights; closing of the U.S. Military Training Mission; nationalization of Aramco; withdrawal of Saudi funds from U.S. accounts and U.S. investments; a break in diplomatic relations; and expulsion of Americans from the country. If these measures were taken in consort with Kuwait, Qatar and Abu Dhabi, the impact upon our interests would be serious indeed.

7. Faysal used to be inhibited from considering such radical measures because the loss of his American alliance would have made him vulnerable to external aggression from Egypt or Iraq and vulnerable to internal subversion by nationalist and "progressive" forces. Today his prestige is so improved, he probably would feel safe in adopting such measures against us. Each measure would actually tend to increase his popularity and strengthen his regime.

8. Long before the present crisis, as the Secretary will remember, the Shah in conversations in Washington and with me here made it clear that he thought the USG should adopt policies which would restore its appearance of balance between the Arabs and Israel. His own government has repeatedly stated its support of SC 242, with the interpretation that evacuation of occupied territories means just about all territories.

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<sup>4</sup> On October 17, the Organization of Arab Petroleum Exporting Countries warned of a cut-back in oil production or a total embargo, and on October 19, Saudi Arabia announced it would impose an oil embargo on the United States in retaliation for aid to Israel. Other Gulf oil producers soon followed the Saudi lead. Documentation on the U.S. and Western response to the embargo is in *Foreign Relations, 1969–1976*, volume XXXVI, Energy Crisis, 1969–1974.

9. Since the opening of hostilities, Iran has reaffirmed that position. In response to popular sentiment, Iran has flown medical supplies to the Arabs, has made preparations to accept Arab wounded for treatment, has loaned C-130's to Saudi Arabia and has authorized a moderate tilt by Iranian media in favor of the Arabs. This has occurred despite the fact that the Shah and the Iranian establishment have had, and continue secretly to have, very close cooperative relations with Israel.<sup>5</sup> The reason is that the Shah and his advisors have come to believe that the balance of forces has changed sufficiently that overt identification with Israel would not be politically viable, even though they are pleased that the Arabs were not militarily victorious.

10. From the perspective of Tehran it looks to us as if the USG and Israel must this time hammer out a solution which a conservative Arab leader like Faysal and a moderate nationalist like Sadat can and will accept. You have heard this before, I know. This time, however, sober Americans feel that the Arab states are in a position where they can and will use the oft-threatened oil weapon.<sup>6</sup>

11. Warm regards.

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<sup>5</sup> According to a November 2 paper prepared in INR that Cline sent to Kissinger in advance of his trip, the Shah "regards Israel as a profitable channel for Iranian oil and as an ally against Arab radicalism." Acknowledging the Shah's actions on behalf of the Arab war effort, the paper noted that the Shah "simultaneously suppressed domestic expressions of support for the Arab cause and continued to ship oil to Israel (around the Cape.)" (National Archives, RG 59, Central Files 1970-73, ORG 7 S)

<sup>6</sup> In telegram 7285 from Tehran, October 15, the Embassy forwarded at the Shah's instruction an interview he had given to an Egyptian newspaper that "was specifically designed to eradicate among Arab leaders the conception that the use of oil as a weapon would have any effect upon the United States in the short term." (Ibid., Central Foreign Policy Files, [no film number])

## 42. Telegram From the Department of State to the Embassies in Iran and Saudi Arabia<sup>1</sup>

Washington, November 4, 1973, 0255Z.

217485. Subject: USS *Hancock* Task Force. For the Ambassador from the Secretary.

1. I would very much like to have you get word to the Shah and solicit his reaction to our plans to have the USS *Hancock* and accompanying destroyers stationed in the northern Arabian Sea (holding area 180 miles S.E. of Muscat) on November 6 and for a period of time following that date. You should tell him that presence of this task force is part and parcel of US Indian Ocean policy of periodic and temporary augmentation of US naval forces in the area.<sup>2</sup> It exists to threaten no state in the area and we have no intention at present of having it make port calls or visits.

2. We would be grateful for the Shah's personal, frank, and considered reaction to our intention and also, should we decide to proceed in this course, whether he would permit us to use the base at Bandar Abbas for long-range surveillance (P-3) and logistic and short-range aircraft flights to the *Hancock* while the task force is in the immediate area. We would expect the flights to conduct training and exercise operations for a period of approximately thirty days. Frequency of flights is not yet known but you may assure the Shah that we will provide him with this information as soon as possible.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P810097–2375. Secret; Niact; Immediate; Nodis. Drafted by Thomas R. Pickering; cleared by Jonathan D. Stoddart (PM), Sisco, Walter J. Stoessel (EUR), and Scowcroft; and approved by Kissinger. Repeated Niact Immediate to London.

<sup>2</sup> During a meeting on November 3, Schlesinger told Kissinger: "We need a public line on the *Hancock* when it arrives." Kissinger responded: "Routine. An exercise that we have been planning a long time. I will discuss with the Shah. If he wants it in [the Gulf], I will let you know." Kissinger went on to ask: "Can it go into the Red Sea past the blockade?" Moorer replied: "I don't know if there is a blockade." (Memorandum of conversation, November 3; Ford Library, National Security Adviser, Memoranda of Conversations, Box 2)

3. We would be grateful for the very earliest reply you can manage, having in mind the Secretary will be departing on his trip shortly and the task force will be present in the area while he is traveling.<sup>3</sup>

4. *For Jidda*: We would be grateful for Ambassador's personal reaction to proposal and any comments he may have to offer.

5. *For London*: Should we decide to go ahead in light of Shah's and other reactions, we would want to operate two or three patrol aircraft from Diego Garcia for approximately one week in support of the *Hancock* task force. DOD has discussed informally with Vice Admiral Easton at UK Embassy who in turn has discussed it with UK Ambassador and Admiralty. We told they foresee no difficulty but formal diplomatic clearance required. You will be instructed separately to seek such clearance depending upon the actions above. Meanwhile, pending receipt of further instructions, if you are queried further by Arthur on basis of London's 12819 request you tell him you are awaiting guidance.<sup>4</sup>

6. *For Tehran*: We have just been notified by DOD that Iranian support required to provide oil to refuel task force. If Shah indicates he is positive toward our deployment, please ask if he would agree to sell US fuel which would be picked up and transported by US Navy for at-sea refueling of the task force.<sup>5</sup>

Kissinger

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<sup>3</sup> According to telegram 7752 from Tehran, November 5, the Shah agreed to the stationing of the *Hancock* and destroyers 180 miles southeast of Muscat and the use of Bandar Abbas by P-3 aircraft. The Shah insisted "that we strictly adhere to cover story that aircraft were in Iran to assist in training Iranians with P-3's, in preparation for their later acquisition of that type of aircraft." (National Archives, Nixon Presidential Materials, NSC Files, Box 1295, Harold H. Saunders Files, Iran, May 16, 1973–December 31, 1973) Telegram 7826 from Tehran, November 7, passed along the Iranian Government's approval of the use of Bandar Abbas for carrier on board delivery (COD) aircraft and C-141/C-130 logistics support flights as well. (Ibid., Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

<sup>4</sup> Telegram 12819 from London, November 2, reported that Sir Geoffrey Arthur of the British Foreign Office requested information about the task force and a possible U.S. request for use of U.K. facilities in the Gulf area. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

<sup>5</sup> Telegram 7935 from Tehran, November 12, advised that the Iranian Government had authorized U.S. Navy tankers or U.S.-chartered vessels to take delivery of fuel at Iranian ports to avoid the need to transfer oil at sea. (Ibid., Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East—Iran, Vol. V, May–December 1973)

43. **Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Nixon**<sup>1</sup>

Washington, November 9, 1973.

Dr. Kissinger has sent you the following report on his meeting with the Shah:<sup>2</sup>

"I briefed the Shah, after giving him your letter,<sup>3</sup> on the efforts we have been making since the beginning of the crisis to bring about a ceasefire and in recent days to stabilize it so that we can move on to full peace talks between the parties. As you might have expected, the Shah's reactions were very positive and he said: 'Splendid work'.

"He is entirely in agreement with our view that the oil embargo should be lifted.<sup>4</sup> He has agreed to send an emissary to both Sadat and Faisal in order to underscore his deep belief that the oil embargo is not in the long-term interest of the Arabs and the region. He stressed the importance of making progress towards a fundamental solution of the Arab/Israeli dispute and he welcomed the current plans for peace negotiations to be opened during the first week in December and the general understanding we have already achieved on both the procedures and the substantive approach in the opening phase of the conference.

"He reported that he and Bhutto in recent days had been discussing the idea of an Islamic conference to offset the planned Arab summit but he apparently has had second thoughts and has come to the judgment that quiet diplomatic efforts are much preferable to the rhetoric of any such conferences.

"He was full of praise that you faced head on the recent Soviet threat to take unilateral action. He considers such Soviet brinkmanship

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Top Secret; Sensitive; Eyes Only. Sent for information. A stamped notation on the memorandum indicates the President saw it.

<sup>2</sup> Briefing material for Kissinger's visit is *ibid.*, Box 1188, Harold H. Saunders Files: Middle East Negotiations Files, Secretary Kissinger's Middle East Trip, November 5, 1973–November 9, 1973.

<sup>3</sup> The letter from Nixon to the Shah, dated November 5, described U.S. diplomatic efforts in the Middle East and expressed Nixon's hope for a lasting settlement and assurance of receiving the Shah's aid. (*Ibid.*, RG 59, Central Files 1970–73, POL 15–1 IRAN)

<sup>4</sup> On November 6, Carl Marcy, Chief of Staff of the Senate Foreign Relations Committee, wrote to Eagleburger, asking why Iranian oil production had not been increased to compensate for Arab cutbacks. Eagleburger replied on behalf of Kissinger on November 12: "We are informed that there is indeed a plan to increase production there from the present level of 5.6 million barrels per day. However, it will not be until 1976 that Iran's full production potential of 8 million barrels per day will be reached." (*Ibid.*, PET 12 IRAN)

both dangerous and irresponsible. He expressed his views about Soviet policies and designs in the Persian Gulf and in the Subcontinent along lines familiar to you, and his resolve to resist is every bit as firm as he expressed it during his last visit to Washington.

“He indicated that he is working closely with Pakistan, and he does not like the direction which Afghan policy seems to be taking at the present time.”

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#### **44. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, November 18, 1973, 0815Z.

8095. Please deliver at opening of business November 18. Subject: Shah's Message to President Sadat. Eyes Only for the Secretary from the Ambassador.

1. Khalatbari called me to Foreign Ministry morning November 18 to read me message from Iranian Ambassador in Cairo about his meeting with President Sadat at 1300 on November 16 pursuant to instructions from the Shah. There was no explanation as to why Shah communicated with Sadat by telegram rather than sending emissary as he did in case of King Faisal. Shah's telegram to Sadat was dispatched on November 11 but due to pressures Sadat did not receive Iranian Ambassador until November 16.

2. Shah's message to Sadat contained usual congratulatory amenities, mentioned that you had informed Shah of your talks with Sadat, expressed hope for continuing success of cease-fire arrangements. Shah pointed out that policy of Arab countries to use oil weapon had produced results and had contributed to opening eyes of oil consuming nations to Arab cause. If this policy were to be continued now that fighting had stopped, however, and if oil consuming nations were to be subjected to economic pressure, this could in America, Europe, and Japan give to Jewish lobby and those who are opposed to Arabs opportunity to use this policy to their own advantage by exposing it as type of blackmail designed among other things to cause suffering this winter among young and old people. This according to Shah would not

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Niact; Immediate; Nodis.

benefit Arabs and therefore it would be better at this stage to put an end to oil embargo and await results of negotiations which have been started. Shah points out that if negotiations get nowhere, oil embargo can always be reinstituted.

3. According to Iranian Ambassador, Sadat listened carefully, sent thanks to Shah, and said would study Shah's message most carefully. He also stated he would discuss it with other Arab leaders.

4. Khalatbari then told me that Shah had given an interview on November 16 to Lebanese journalist, whose name Khalatbari could not remember. In this interview Shah took pains to point out for benefit of Arab readers the significant difference between using oil sanctions in time of war and while fighting going on and continuing to use them after the negotiating process has started following cease-fire.<sup>2</sup>

5. At end of our session Khalatbari asked me if I knew what development had led the President to make his statement to effect that he saw signs that the oil embargo was being lifted.<sup>3</sup> I replied that I had no information. He is anxious to know if you care to share the information with him and the Shah.

**Helms**

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<sup>2</sup> In the interview on November 25, reported in telegram 8305 from Tehran, November 26, the Shah publicly advocated the lifting of the oil embargo, giving diplomacy a chance to achieve peace. With the recent acceptance of the cease-fire, he was quoted as saying, "Oil is like bread—it cannot be held back in times of peace." (Ibid., RG 59, Central Foreign Policy Files, [no film number])

<sup>3</sup> President Nixon, in remarks on signing a bill authorizing the trans-Alaska pipeline on November 16, stated that "it is a reasonable possibility that at some time in the future we can see some change with regard to some of the Arab oil-producing countries and their attitude toward exporting to the United States and to Europe." For the full text of his remarks, see *Public Papers: Nixon, 1973*, pp. 941–945.



**45. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, November 21, 1973, 1220Z.

8233. Subject: Shah on Corruption.

1. After Ambassador Byroade's audience with Shah<sup>2</sup> was finished, I asked to stay behind to discuss with Shah approach of Soviet Ambassador to Swedish Ambassador and others about alleged increase in domestic opposition to GOI as result Shah's recent decrees on corruption and on new requirement that government ministers and immediate subordinates divest themselves of any shares they hold in any companies or industries.<sup>3</sup> Shah was obviously startled to learn that Soviets were claiming to note increased opposition and asked rhetorically how anyone could imagine such a thing. We agreed that this was Soviet psychological warfare designed to unsettle the government. The Shah immediately tied it in to the recent Tudeh Party/Iraqi Communist proclamation criticizing GOI activities. Shah is convinced that Soviets are attempting to recreate Tudeh Party and put money into strengthening of Iranian Communist movement.

2. Being pensive for a moment about what we had been discussing, the Shah said, "Perhaps I have been too tough on corruption." To which I immediately replied, "No, sir, you cannot be too tough on corruption." There then ensued a discussion of what will happen in Iran in the years ahead if corruption is not stemmed with billions of dollars floating around in the economy. It was quite clear from this discussion that the Shah indeed is convinced that his program and the country's future will go right downhill if he is not able to deal with the corruption issue.

3. When the Shah mentioned his insistence that certain high government officials divest themselves of stocks and holdings, I said, "Won't many of them have to unload?" The Shah replied, "A few, not all."

**Helms**

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Exdis.

<sup>2</sup> Henry Byroade, Ambassador to Pakistan, met with the Shah on November 21 and reported his conversation in telegram 10097 from Islamabad, November 22. (Ibid., Box 1295, Harold H. Saunders Files, Iran, May 16, 1973–December 31, 1973)

<sup>3</sup> In telegram 7652 from Tehran, October 31, the Embassy advised the Department of the Shah's Royal decree on corruption, in which he promised a crackdown on influence-peddling, profit-making, and no-bid contracts, and demanded civil servants' divestment from commercial enterprises. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

#### 46. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, November 26, 1973, 1340Z.

8321. NEA pass Ambassador Helms. Subject: USS *Hancock* Task Force. Ref: State 231141.<sup>2</sup>

1. We wish to suggest modifications in approach to GOI re Iran's continuing support for *Hancock* task force (reftel). As we see it, we have two alternatives. We can make barebones request for this open-ended favor as outlined reftel. We believe GOI would acquiesce, but that tactic would contribute little to our overall relationship with Iran except add an obligation on our side for services rendered by GOI.

2. We believe it would be far preferable to enhance Iranian comprehension of, and thereby develop mutuality of interests in, *Hancock* operations. Invitations to Iranians for P-3 familiarization flights, visits to carrier and joint ship exercises, however cosmetic they might seem, were steps in this direction. More importantly, we think we should take Shah into our confidence to extent possible concerning our planning for *Hancock* operations. All we have given GOI so far is the rather thin explanation in State 217485<sup>3</sup> for *Hancock's* presence in Indian Ocean. As far as Iranians know from us, *Hancock* is to be stationed at holding area point 180 miles SE of Muscat in northern Arabian Sea. We note from JCS 200219Z<sup>4</sup> that task force has moved at least temporarily to area of Gulf of Aden. We owe it to GOI, it seems to us, to inform them on *Hancock* activities which might attract public attention. Perhaps we are seeing ghosts, but there is little reassurance in the skeletal information we have so far seen or passed to GOI.

3. We would like to be able, in making approach to GOI for indefinite extension of *Hancock* support, to tell Shah:

A. How long we anticipate *Hancock* will require support. If we do not know, then we should mention factors which will affect duration of *Hancock's* stay.

B. What movements and operations are planned for *Hancock*.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Priority; Exdis. Repeated to JCS, SecDef, USCINCEUR, and CINCPAC.

<sup>2</sup> In telegram 231141 to Tehran, November 23, the Department informed the Embassy that task force operations might extend beyond the original 30-day period and asked it to explore continuation on an indefinite basis or in incremental periods of 60 days or more with renewable options. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

<sup>3</sup> Document 42.

<sup>4</sup> Not found.

C. Any changes in requirements for Iranian fuel or use of Bandar Abbas airfield from schedules we originally put to GOI. We note there have been no C-141/130 flights and infrequent COD flights.

D. Whether it is likely we will be making other requests of GOI re task force operations, e.g. port visit.<sup>5</sup>

4. While issue of sale of Iranian POL to USG for Pacific operations is separate subject (Tehran 8064)<sup>6</sup> we believe if feasible it would be preferable to take up both that issue and *Hancock* support extension at same time. Unless Washington decision on approach to GOI for Pacific supply will be delayed for more than ten days, we would like to hold *Hancock* support question in suspense until we have both requests in hand. This should not affect ongoing *Hancock* support operations.<sup>7</sup>

Heck

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<sup>5</sup> The Department replied that the *Hancock* group would be relieved by the U.S.S. *Oriskany* and escorts around December 8; that the duration of the operations was under study; that the *Oriskany* group would operate in the Arabian Sea; that the original schedules were unchanged for use of the Bandar Abbas airfield and the contingency for C-141/C-130 flights would remain for the duration of the task group; and that no other requests were foreseen for Iranian support of the task group operations. The task group, the Department concluded, would require 500,000 barrels POL for its operations. (Telegram 236006 to Tehran, December 1; National Archives, RG 59, Central Foreign Policy Files, P750029–1663)

<sup>6</sup> Dated November 15. (Ibid., [no film number])

<sup>7</sup> In telegram 8507 from Tehran, December 3, the Embassy reported Iran's willingness to support task group operations on the condition that the United States buy fuel for the ships at the market rate. (Ibid., P750033–2433) The Department agreed in telegram 239733 to Tehran, December 7. (Ibid., P750029–1266) At the Embassy's request, the Department provided a rationale for the *Hancock* deployment in telegram 15716 to Tehran and other posts, January 24, 1974. (Ibid., P750004–0746) Documentation on U.S. policy in the Indian Ocean area is scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

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#### 47. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, December 6, 1973, 1200Z.

8619. Subj: Unrest Among University Students.

*Summary:* Intermittent student unrest in several universities in Tehran has characterized past several days. Campus troubles at this

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential.

time of year have become traditional but disturbances this year seem more serious than those for the last several years. *End summary.*

Beginning several days ago and continuing on December 3, 4, 5, and 6 student demonstrations and other manifestations of dissidence have occurred at Tehran University, Arya Mehr University and at Tehran's Polytechnic College. Some roughing up of professors and fighting among student factions reportedly has occurred at Agricultural College at Karaj, a branch of Tehran University. Tehran's Polytechnic College was closed for ten days (some reports say indefinitely) beginning December 4 while two colleges of Tehran University are closed. Further demonstrations are rumored for December 7 with security authorities reportedly ready to deal harshly with participants. Police have kept demonstrations well in hand and no mention of dissidence has so far appeared in Iranian media.

2. Timing of current unrest is related to 16 Azar 1341 (corresponding this year to December 7) when security forces wounded many and killed three student demonstrators in Tehran. Beginning about seven years ago, university students, especially in Tehran, have marked the anniversary of their death with demonstrations. As picked up from several sources, student grievances this year include (A) lack of intellectual and political freedoms in Iran; (B) corruption; (C) growing disparity in wealth in Iran; (D) high student fees; and (E) GOI restrictions on size of university student population. Mixed with these are more traditional student gripes over bad cafeteria food and inadequate professors.

3. Dr. Ahmad Ghoreishi, Dean of the Law School at Iranian National University, which thus far has avoided trouble, told an Embassy officer that student demonstrations this year may be worse than those in previous years. Ghoreishi, whose establishment credentials are impeccable, sees lack of freedom of expression as the most basic student complaint. The dilemma in Iran, in his view, is that the situation will gradually worsen unless the government relaxes its current strict controls, while if it does ease restrictions there is risk that the situation will get out of hand, such as occurred recently in Greece.<sup>2</sup>

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<sup>2</sup> In a December 10 meeting at Killgore's home, Ghoreishi agreed with the students: "there is no freedom in this country and corruption is everywhere. Some people make \$50,000 a day (the Peykan automobile people) and others don't have enough to eat." Yet Killgore reported that when he visited Ghoreishi at the heavily-guarded university, Ghoreishi claimed that all was quiet, despite student agitation over cafeteria food. "Ghoreishi's tone was indulgent, while deprecating the political significance of student protest. Quite surprisingly, in view of statements directly to the contrary made six days earlier, he said that the student troubles this year were less serious than those in past years." Killgore concluded that Ghoreishi meant his initial remarks, and was dissimulating in his office. (Ibid., NEA/IRN Files: Lot 76D169, Box 9, Iran, 1973)

4. *Comment*: There seems to be no occasion for any immediate concern over the current student dissidence. However, what is happening reminds us that with all of its many successes the Iranian regime has continued to fail to win the sympathy of its university students.<sup>3</sup> *End comment*.

**Helms**

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<sup>3</sup> In telegram 5111 from Tehran, June 21, 1974, the Embassy reported the largest student riots in 2 years at Pahlavi University in Shiraz, ostensibly over grades, although they took place on the anniversary of large riots in Tehran several years before at which some students were killed. The Embassy concluded, however, that “though Iranian student demonstrators often mask national political grievances in local university issues for reasons of safety, we have no evidence to indicate that anti-regime or anti-U.S. feelings played a role in Shiraz riots.” (Ibid., Central Foreign Policy Files, [no film number])

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#### **48. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, December 22, 1973, 0003Z.

249539. Subj: Pricing Policies at OPEC Meeting. Ref: Jidda 5626 (Notal), Tehran 9001 (Notal).<sup>2</sup> Kuwait pass Doha.

1. Acting Assistant Secretary Davies called Iranian Ambassador Zahedi to express concern at reports that USG receiving about possible inordinate price increases for oil at forthcoming OPEC meeting sched-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret; Immediate. Drafted by Dickman, cleared by William B. Whitman (EB/ORF/FSE), and approved by Davies. Repeated Immediate to all OECD capitals, Caracas, Algiers, Tripoli, Baghdad, Kuwait, Jidda, Abu Dhabi, Lagos, Jakarta, Quito, Brasilia, New Delhi, Islamabad, and Geneva for Kissinger who was attending the opening session of the Middle East Peace Conference.

<sup>2</sup> In telegram 5626 from Jidda, December 21, the Embassy transmitted a warning from Yamani that he had little hope of preventing OPEC from raising prices dramatically at the OPEC meeting in Tehran December 22–23. (Ibid.) Telegram 9001 from Tehran, December 21, summarized a conversation between the Shah and Helms in which the Shah “indicated that he is seriously considering trying to persuade the other OPEC members at the meeting in Tehran on December 22 that wholly new pricing arrangement for crude oil should be established.” He intended to eliminate the posted price and fix the price of crude oil in relation to the cost of other energy sources like coal, shale, and atomic energy. (Ibid., P750033–2405)

uled to begin in Tehran on December 22.<sup>3</sup> If OPEC countries sought to take short-term advantage of situation, it would create critical problem both for industrialized countries and, especially, developing countries which do not have their own sources of energy such as India and Pakistan. US believed that the Middle East producers such as Iran and Saudi Arabia had long-term interest in stability of oil prices but if there were a three-fold increase in realized prices, which we understand some producers were advocating, the adverse pressures on industrialized economies and on world development generally would be tremendous and could generate countermeasures. Slowing of the developmental process would have implications for stability in developing countries which could only adversely affect Free World including Iranian and Saudi interests.

2. Zahedi said that he had already sent his personal views to the Shah that the disruption of the oil pricing system was unhealthy and that it would be a mistake for OPEC to let oil prices to get too far out of hand. Zahedi thought, however, that the mistake had originally been made by American companies submitting bids for Nigerian oil of \$16–18 per barrel. While he could appreciate that these purchases had been due perhaps to force majeure, nevertheless, they had affected world oil prices generally.

3. Zahedi said he would try to convey the Department's concern immediately to the Shah, who is about to leave for his vacation in Switzerland. Zahedi himself is leaving for Switzerland tomorrow and he would also be in contact with the Shah there.

**Rush**

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<sup>3</sup> In a telephone conversation on June 5, 1975, columnist Jack Anderson asked Kissinger about a "Government paper" that he had describing the Secretary's December 19 meeting with French Foreign Minister Jobert. The paper indicated that "Jobert could not understand the American Government's attitude toward the Shah of Iran. It was clear, he said, that the Shah was going to push for another major oil price increase by exploiting the current embargo, induce shortage, and yet the United States acted as if it considered the Shah to be a friendly country with the same interest." Noting the \$22–23 per barrel auction prices that the American independent oil companies had recently paid, Jobert had "warned the Secretary of State that these artificial prices would be used as a pretext to justify higher overall OPEC prices." (Department of State, Electronic Reading Room, Transcripts of Kissinger Telephone Conversations) A memorandum of conversation of Kissinger's December 19 meeting with Jobert is in the Library of Congress, Manuscript Division, Kissinger Papers, TS 26, Geopolitical Files, France, Cronological File, 19 July–20 Dec 1973.

#### 49. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, December 29, 1973, 1916Z.

252282. Subj: Oil Decisions at Tehran and Kuwait Conferences. Ref: Jidda 5715, Tehran 9083.<sup>2</sup> For Ambassador from Secretary.

1. At earliest opportunity, you should call on Prime Minister, Court Minister or Foreign Minister, as you deem appropriate, making clear you are speaking for the President and ask him to convey to the Shah in Switzerland our deep concern over the decisions reached in Tehran on December 23 for drastic increase in oil prices. The Shah should also be informed that the President has communicated to King Faisal and President Sadat our dismay at December 25 OAPEC decision in Kuwait to continue the discriminatory oil embargo while easing production restrictions for other consuming countries.<sup>3</sup> Following are the points you should make orally:

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Niact; Immediate; Nodis. Drafted by Dickman; cleared in draft by Donaldson and by Morton (NEA/IRN), Atherton, and Katz; and approved by Kissinger. Repeated Immediate to Jidda and to Kuwait.

<sup>2</sup> At the conclusion of the OPEC meeting in Tehran on December 23, Amouzegar announced a new posted price of \$11.60 for Persian Gulf crude, an increase of more than 100 percent. Telegram 5715 from Jidda, December 27, reported Yamani's charge that the Shah had forced the price increase on OPEC. (Ibid., RG 59, Central Foreign Policy Files, P750032–2376) Telegram 9083 from Tehran, December 26, contained the Embassy's suggestion that OPEC–OECD talks be initiated to reform the international trade and payments system. Acknowledging that Iran might have been at the forefront pushing for the new posted price, the Embassy explained that the Shah believed that this was a step toward a rational solution of the oil problem, even a moderate one, given his need to satisfy nationalist opinion. (Ibid., [no film number])

<sup>3</sup> In telegram 4464 from Kuwait, December 26, the Embassy reported that the OAPEC Oil Ministers, meeting in Kuwait, pledged to increase oil production to 15 percent below the September level (up from October's 25 percent reduction), ease export restrictions on Japan and Belgium, and continue the embargo on the United States and the Netherlands. (Ibid.) In a meeting on December 28 with Schlesinger, Colby, Moorer, and Scowcroft, Kissinger announced: "We sent a scorching letter to Faisal and Sadat and will send one to the Shah. We have said our ability to proceed in the peace talks depends on an end to the embargo." Moorer observed: "Two can play this. Maybe we should raise the price of our stuff to the Shah," to which Schlesinger replied: "We are. I am thinking of charging him 1.9 [million dollars?] for the F–15 R & D." Colby added: "The oil increase to us is \$10 billion." Kissinger went on: "A production increase helps more than getting the embargo lifted, but it is a political issue." To Colby's comment that "we must teach them a lesson," Kissinger replied: "Then we should hold up on the peace talks." Everyone agreed that the United States should refuse to pressure the Israelis. (Ford Library, National Security Adviser, Memoranda of Conversations, Box 3) Nixon's December 28 letter to King Faisal is printed in *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 274.

A. The President is greatly concerned over the destabilizing impact that the price increases agreed to at Tehran for Persian Gulf crudes will have on the world's economy and the catastrophic problems it could pose for the international monetary system. Not only will it result in raising the prices of manufactured products, but it will have severe repressive effect on the economies of oil consumers which could cause a worldwide recession and which eventually would benefit no one including oil exporters.

B. We believe this drastic price increase is particularly unreasonable coming as it does when oil supplies are being artificially restrained. If this decision is implemented, it is our preliminary assessment that the world's oil bill in 1974 will more than double to about \$100 billion and would be equal to one-fifth of the value of the Free World's imports. For the U.S. alone it will add at least \$10 billion to our oil import bill. The additional import costs will be at least \$23 billion for Western Europe and \$8 billion for Japan. For the developing countries it will be at least \$9 billion additional. This mammoth rise in costs will place an intolerable burden on the economies of many major oil consumers and will prove even more harmful for those developing countries that do not have adequate energy resources.

C. The U.S. endorses the idea of greater consultation and mutual understanding between oil producers and consumers which was most recently reaffirmed in Secretary Kissinger's initiative to establish an Energy Action Group.<sup>4</sup> We strongly urge that (1) the recent decisions made in Tehran be reconsidered; (2) steps be initiated to hold the kind of consultations that we believe most consumer and producer countries endorse; and (3) the oil producer countries seriously examine the deleterious effect of these increases on the balance of payments positions of practically all nations in the Free World and the effect this will have on world trade in general and on the international monetary system in particular.

D. We are making these views known also to Arab oil producers. At the same time, the President is equally dismayed over the December 25 decision by the Arab oil producers in Kuwait. This decision singles out the U.S. for a continuing oil embargo, when the U.S. is the only country that is seriously trying to bring about the just settlement desired by the Arab world, while at the same time it allows oil production to increase for other countries which are unable to make any significant contribution to a peace effort. The President views this as undisguised discrimination against the U.S. and we are also conveying this point strongly to major Arab leaders. We are underscoring our views to our

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<sup>4</sup> Kissinger made this proposal on December 12 in London in a speech to the Pilgrim Society, in what became known as the Pilgrims Speech. See *ibid.*, Document 264.



principal Arab contacts that it is absolutely essential that the oil embargo directed against the U.S. be ended immediately and not await the outcome of the current disengagement negotiations in Geneva.<sup>5</sup>

Kissinger

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<sup>5</sup> Telegram 37 from Tehran, January 2, 1974, transmitted the Shah's response that Iran would consider reducing its crude oil price only if Venezuela, Nigeria, Indonesia, Libya, and Algeria, which kept raising their prices, did the same. The Embassy commented: "You should not in our opinion read any significant degree of hope that Shah will reduce prices in the near term. However, door is still open to dialogue on fixing future prices provided consumers and producers can get together very soon." (Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 15, Iran (3))

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## 50. Editorial Note

On October 2, 1973, the Embassy in Iran reported the announcement by the Iranian Government that twelve people had been arrested for plotting to kidnap or kill the Shah, Empress, and other members of the Royal family. The plotters were said to be members of the outlawed Tudeh (Communist) Party and had reportedly confessed. (Telegram 7005 from Tehran, October 2; National Archives, RG 59, Central Foreign Policy Files, [no film number]) The Embassy followed up this report in telegram 7073, October 4, noting that the plotters were evidently arrested two weeks before the announcement. It added that an "element of seriousness" attached to the plot due to the backgrounds of the accused, which included a few women: "They are not university students, religious zealots or from any other social group usually represented among Iranian terrorists. Virtually all are members of educated literary/film-oriented class which passes for intellectuals in Iran." As such, their families were among the beneficiaries of the White Revolution, and, given the close-knit nature of Iranian society, members of their families or social group could have known of the activities. (Ibid.)

On October 25, the Iranian Students Association in the United States disseminated a press release to members of the U.S. Congress, charging that the Iranian Government had actually arrested the twelve accused one year prior to the alleged plot. The release stated that these individuals included some of Iran's leading artists, who were noted for their opposition to the Shah. According to the students, "in the last two years, the Iranian Government has executed more than 109 political prisoners not to mention those who have been killed under torture. The

fate of the 12 intellectuals is no exception to this Rule especially due to the intensity of their charges." (Ibid., Central Files 1970–73, POL 29 IRAN)

On November 14, four Members of Congress, Parren Mitchell, Ronald Dellums, Pete Stark, and Shirley Chisholm, circulated a note to their colleagues, asking their support for letters to Secretary of State Henry Kissinger, to the Chairman of the House Foreign Affairs Committee, Thomas Morgan, and to the Chairman of the Senate Foreign Relations Committee, J. William Fulbright, "requesting that immediate pressure be put upon the Iranian dictator to restore to his country due judicial process." The United States, they wrote, was supporting a regime which reportedly had incarcerated 25,000 Iranian citizens on political grounds. They called attention to the arrest of the "dissenting intellectuals," adding that "many of the twelve were already in prison at the time of the alleged conspiracy." (Ibid.)

Two weeks later, the Department of State requested an immediate update from the Embassy in telegram 233287 to Tehran, November 28. (Ibid., Central Foreign Policy Files, [no film number]) In telegram 8426 from Tehran, November 29, the Embassy replied that although the conspirators had been arrested a few weeks before the public announcement of their plot, local security authorities were adamant that none was in jail at the time the plot was discovered. All twelve had confessed and their cases had been referred to a military court. (Ibid.)

On December 27, Assistant Secretary of State for Congressional Relations Marshall Wright replied to the Congressmen on Kissinger's behalf in a letter to one of the signers, John J. Moakley. The success of the assassination plot, he wrote, "would have been another victory for terrorism and an additional precedent for the assassination of political leaders, and could have had an adverse impact on the stability of Iran and the well-being of its people." Wright noted that Iranian police and judicial procedures were Iran's to determine and were different from American ones, resembling the Napoleonic Code of France. He concluded with praise of Iran's economic and social progress, its helpful role in the Arab-Israeli dispute, and its refusal to join the oil embargo. (Ibid., Central Files 1970–73, POL 23–9 IRAN)

Telegram 137 from Tehran, January 7, 1974, notified the Department that the accused were being tried in a military court because a conspiracy to kill the Shah was considered "directly connected with the very existence and national identity of Iran." (Ibid., Central Foreign Policy Files, [no film number]) All twelve were found guilty, and seven were sentenced to death, according to telegram 272 from Tehran, January 10. (Ibid.) In telegram 324 from Tehran, January 15, the Embassy reported a telephone threat in which the caller claimed that if the Shah "executes any of the twelve prisoners of war in violation of the Geneva

Convention, the Bazargan Brigade will execute four Americans; men, women and children for every prisoner of war killed by the Shah.” (Ibid.) According to telegrams 611 and 1340 from Tehran, January 24 and February 19, five of the seven death sentences were commuted to life in prison, after the accused repented of their errors and threw themselves on the mercy of the throne. (Ibid.)

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**51. Backchannel Message From the Ambassador to Iran (Helms) to the President’s Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, January 22, 1974, 0250Z.

120. 1. Would you please pass the following to Secretary Kissinger from me:

(A) Please have a look at the bottom of page three and the top of page four in the 17 January 1974 issue of *The Economist’s* Foreign Report.<sup>2</sup> This kind of talk, which appears to give substance to Schlesinger’s remarks earlier this month,<sup>3</sup> will, I fear, be believed by a lot of people in the Middle East not to mention Iran. The Soviets are probably responsible for pushing this line, if not originating it. But Iranians and Arabs alike believe in the conspiratorial theory of political life and are suckers for this kind of rationalization. Nobody in this part of the world will bother to muse over what the Soviet Union will be doing while our Marines are taking over the Gulf oil fields.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II. Secret; Priority.

<sup>2</sup> The article noted that if the Washington Energy Conference, scheduled for February 11–13, failed, there was likely to be more talk of U.S. military intervention in the Gulf. “Some Arab commentators are already painting a lurid picture of American marines swarming ashore at any moment to seize the oil fields. Saudi Arabia and Kuwait have placed explosive charges around their principal fields.” Although such contingency plans probably existed, the article continued, the administration knew that the Arabs could destroy the oil fields before U.S. troops reached them. Some U.S. officials thought Nixon was more likely to unleash the CIA to help install more amenable rulers in the Gulf, if he could not reduce oil prices without abandoning Israel. “Memories of Dr. Mossadeqh,” it concluded, “are very much alive in Washington these days.”

<sup>3</sup> On January 7, *The New York Times* quoted Secretary of Defense Schlesinger’s comments in a public television interview that “the Arab countries ran the risk of increasing public demand for force against them if they carried their oil curbs too far. But he added that he believed the oil producers recognized the problem and would not push it to that extent.” See also *Foreign Relations, 1969–1974*, volume XXXVI, Energy Crisis, 1969–1974, Document 244.

(B) I bring this item to your attention, because I fail to see what American declarations are going to achieve toward lowering crude oil prices or making Saudi Arabia more interested in sitting down with the consumer countries. We have in front of us one hell of a problem which is not going to be made easier by American muscle flexing which may look good to Congress but which simply fans emotionalism and irrationality in the Middle East.

(C) Unless there is something in all this which we are completely missing, you may want to persuade other administration officials that there are no obvious shortcuts to rolling back crude oil prices or to persuading the OPEC members to line up and salute.

(D) I hope that none of the foregoing is taken amiss. My effort is to be helpful and constructive, so please read this no other way. Warm regards.

## 52. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, January 25, 1974, 0219Z.

16493. Subject: Energy: Crude Oil Prices. Ref: Tehran 560.<sup>2</sup>

1. Very much appreciate your thoughtful exposition of factors that should be borne in mind as we attempt to formulate a rational and constructive approach to key oil producers such as Iran. We share your feeling that for the time being we should continue to pursue the multi-lateral course of action we have mapped out and that a Presidential envoy or message to producer countries would be premature and possibly counterproductive for our efforts to lay ground work for a

<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Exdis. Drafted by Miklos; cleared by Dickman, Davies, Katz, and Maynard W. Glitman (T/IEP); and approved by Donaldson. Repeated to Abu Dhabi, Beirut, Caracas, Jakarta, Jidda, Kuwait, London, Rome, and Tripoli.

<sup>2</sup> In telegram 560 from Tehran, January 22, Helms argued that the United States should pursue a multilateral course of action in its oil negotiations and show understanding of producers' concerns about rising commodity prices: "The oil producers indeed live from a basic commodity which, being in short supply, has given them economic power to alter the terms of trade to their increasing advantage, at least for a period of years. They will not be deflected from using this power, but if we show them that we recognize it, they may indeed be induced to use it more responsibly." (Ibid., RG 59, Central Foreign Policy Files, P750004–0091)

producer-consumer conference. We agree that if our dialogue with producer countries is to be constructive we must in some manner deal with producer concerns about the interrelationship of oil prices with the prices of other goods, particularly those needed by oil-producing countries. FYI. Our own preliminary calculations indicate that while industrial raw material and agricultural products have increased by an average of 75 percent in the past year, crude oil has increased 350 percent. End FYI.<sup>3</sup>

2. While we welcome Saudi recognition that present prices excessive, we do not wish to imply that price reduction suggested by Yamani would satisfactorily deal with problem.<sup>4</sup> We do not wish therefore to become engaged in any further representations to OPEC producers at this time. We think more effective approach is multilateral one which we will seek to obtain at February 11 meeting in Washington among key consumers. USG will in the meantime continue point out how oil prices are causing economic dislocations to consumers and relevance of escalating oil pricing to cost of other commodities in international trade.

3. We welcome further comment from all addressees.

**Kissinger**

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<sup>3</sup> The Embassy responded in telegram 872 from Tehran, January 31, with a chart of price increases averaging about 288 percent in foodstuffs, which Iran bought in quantity from the United States. (Ibid., [no film number])

<sup>4</sup> In telegram 5715 from Jidda, December 27, 1973, the Embassy reported Saudi willingness to reduce oil prices. (See footnote 2, Document 49.) According to telegram 755 from Tehran, January 29, the Iranian press attacked Yamani for advocating lower crude oil prices, in line with Secretary of the Treasury Shultz's proposal that producers should reduce their price to \$5 per barrel. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

### 53. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, January 29, 1974, 1320Z.

804. Personal for Secretary from Ambassador Helms. Subject: IBRD Lending to Iran. Ref: Tehran 0739.<sup>2</sup>

Understand through back channels that Treasury is being most difficult on IBRD loan to GOI at session scheduled for today. I cannot emphasize too strongly how wrong I believe it would be for the US to take the lead in disapproving the loan at a time when we need to keep passions cool. The \$75 million loan under consideration is miniscule by comparison with the other considerations we have in our relations with Iran. There is sufficient evidence to indicate extensive irritation on the part of the Shah and his Ministers as a result of the recent IBRD and US pressures concerning IBRD lending to Iran. This irritation could lead to snap actions against IBRD and US which we obviously want to avoid. If we wish to bring Iran along in any international considerations of energy policy, then it seems to me we can afford to agree to extend the present loan and work quietly for an accommodation of our various positions. But in any event please do not permit action to be taken in IBRD meeting today which we may all live to regret.<sup>3</sup>

**Helms**

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Niact; Immediate; Nodis; Cherokee.

<sup>2</sup> Not found.

<sup>3</sup> Telegram 19865 to Tehran, January 30, forwarded the text of a letter to Shultz from the Chairman of the House International Finance Subcommittee, Henry Gonzalez, in which he argued against an IBRD loan to oil-rich Iran. (National Archives, RG 59, Central Foreign Policy Files, [no film number]) According to telegrams 1604 and 1673 from Tehran, February 27 and March 2, the Iranian Government proposed to help establish a soft loan fund with its increased oil revenue, administered through the IMF and the World Bank, to aid less-developed oil-importing countries. Iran would also purchase IBRD bonds and lend to the IMF. (Ibid.) The plan, Helms wrote in telegram 1726 from Tehran, March 4, was devised in response to U.S. pressure during Iran's loan negotiations with the World Bank. (Ibid.)

**54. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, February 13, 1974, 0955Z.

817. 1. Please deliver what follows to Secretary Kissinger as soon as convenient.

2. Message for the Secretary:

(A) When I finished briefing the Shah on the state of play regarding Syrian-Israeli disengagement negotiations and informed him of the unwillingness of the USG to continue its good offices unless the oil embargo is lifted, the Shah commented that he would not consider himself a good friend unless he pointed out that he feels it unwise to link US efforts to bring peace to the Middle East with an oil embargo which does little harm to the United States. He commented, "Why should you want to lose your magnanimous image in the Arab world?" If you insist on the lifting of the oil embargo now, you will simply give the world the impression that you are greedy and at the same time you will open the way for the Russians to come back into the Middle East. He stressed that the United States has done a masterful job of reducing the Soviets to silence and of pushing them out of the picture, and he says that he hates to see them get back into the area particularly with a re-opening of the Suez Canal in the offing. The Shah definitely agreed, however, to send a message to King Faisal in another effort to persuade him to lift the embargo.<sup>2</sup>

(B) Remainder of points which came up during audience with Shah I will report via regular State Department channels. Warm regards.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II. Secret; Eyes Only; Immediate. Sent with the instruction to deliver at opening of business February 13.

<sup>2</sup> According to telegram 1250 from Tehran, February 14, the Shah responded to Helms's request that the Shah persuade Faisal to lift the embargo with, "Why don't you get Yamani to lift it for you? He is a U.S. stooge." At Helms's demurral, the Shah answered, "Well then, maybe he is an ARAMCO stooge. All the other members of OPEC believe him to be." (Ibid., Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–) According to telegram 1351 from Tehran, February 19, the Shah's message to Faisal was sent on February 13. (Ibid.)

## 55. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, March 11, 1974, 2253Z.

48689. Subject: U.S.-Iranian Cooperation. Ref: State 43366 (Nodis).<sup>2</sup>  
For Ambassador from Secretary.

1. FYI: As follow up to my message to the Shah (reftel) I believe it desirable to move quickly to give substance to the concept of deepening and broadening our ties with Iran, particularly in the economic/technological fields. There are several reasons:

A. We will want to draw Iran into intensive dialogue on how our ties can be further strengthened which will provide them with alternatives to the bilateral barter arrangements the Europeans and Japan are discussing in which technology and help with industrialization are traded for guaranteed oil supply at specified prices.<sup>3</sup>

B. We need to reinforce and highlight the importance we attach to Iran and the mutual benefits we both derive from the closest possible cooperation across the board.

C. We want to establish a framework of consultation within which we can pursue a constructive dialogue bilaterally with respect to oil supply, should we find the need to do so in the face of failure of a multi-lateral approach.

D. We want to establish a framework of consultation within which we can discuss our respective and mutual strategic interests. We recognize that Iran aspires to a growing role in world affairs, and that it already is playing an important regional role. The enhancement of our military presence in the Indian Ocean region demonstrates our own increased interest in this part of the world. We believe that it would be valuable to both countries to share our thoughts now to identify shared

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, Jan-30 April 1974. Secret. Drafted by Miklos, cleared by Davies, and approved by Kissinger. Repeated to the Departments of the Treasury, Commerce, and Defense and to AEC.

<sup>2</sup> In telegram 43366 to Tehran, March 5, Kissinger sent a message to the Shah notifying him of the progress of Kissinger's talks to encourage Syria and Israel to sign a disengagement agreement. (National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974-)

<sup>3</sup> In telegram 1546 from Tehran, February 26, the Embassy conveyed Ansary's warning that "US may well lose out on a number of large-scale commercial possibilities because the US Government is in no rpt no position to discuss package deals with the GOI. Many of the items included in undertakings with other governments, i.e., atomic power, petrochemicals, etc., must from the Iranian point of view be on government to government basis to complete arrangements." (Ibid., RG 59, Central Foreign Policy Files, P740146-1080)



intentions, to avoid any possible misunderstandings, and to minimize any possible friction that might arise from differing perceptions and intentions.

2. While we want to move quickly to give substance to this concept, we also wish to avoid conveying an impression of a knee-jerk reaction to recent European approaches to Iran or other activities which lead away from the multilateral approach we have favored on a vast range of world economic/scientific questions. We would want rather to indicate that we have been giving serious, careful study to a number of questions Iran has raised with us in the recent past and that we are now prepared to discuss in depth what we might usefully do together. In other words, we are adopting the posture of responding to their prior indications of interest. While you are in the process of sounding out the Iranians on this concept and the procedures we might follow, we will be pressing forward here on developing concrete details of some of the proposals we might eventually make. Any thoughts you may have would of course be most welcome. End FYI.

3. You are to seek an audience with the Shah at the earliest opportunity as a follow-up to my message to him. You are to emphasize our desire to broaden and deepen the very close and satisfying relations that already exist between our two countries, and propose that we begin this process by both sides meeting at the Cabinet level to begin discussion of specific areas of further cooperation. We would welcome designation by His Majesty of the Cabinet officer he deemed most suitable for this purpose.

4. Following themes should be basic to your presentation:

A. We have been deeply interested in Iranian proposals recently for enhancing US-Iranian relationships in the economic/technological fields. We think that deepening this relationship would give balance and perspective to the very close and highly satisfactory relationships we have in the political/military fields.

B. We have been gratified by the increasingly significant role Iran has played in regional affairs and its willingness to assume responsibilities on global issues as well. Our interest in enhancing our bilateral relations with Iran therefore stems from our desire to facilitate our and Iran's ability to meet our interrelated responsibilities. We are not talking about a simple trade-off of goods and services for oil which has characterized some recent bilateral arrangements.

C. We envisage an initial Cabinet level meeting which will permit both sides to identify with some precision specific areas in which we believe our cooperative ties might be strengthened. This meeting might be followed by the formation of a commission, several commissions, or working groups which would proceed to examine in detail the specific areas of mutual interest identified at the Cabinet level meeting.

5. For the sake of illustration you might suggest the following as the kinds of subjects we believe might be discussed:

A. We are aware of and sympathetic to the Iranian interest in building on experience in the petroleum field to develop a capability in the broader energy field. We would be prepared to assist Iran in investing in U.S. industries developing new concepts of nuclear breeder reactors. Efficient breeder reactors promise to be a major element in meeting world energy needs into the next century.

B. GOI plans for initial nuclear power installations reportedly call for inclusion of water desalinization facilities. USG and industry has considerable expertise in this field which can be put at GOI disposal. This expertise includes study conducted by USG in conjunction with Plan Organization in 1967 (published 1968) for desalinization project for Bandar Abbas which was never implemented but may still be pertinent. USG can introduce GOI to appropriate firms and, if desired, provide USG advisory/consultative services.

C. The new bilateral science and technology agreement which is now being negotiated could be restructured to provide a mechanism for improved cooperation in research in fields of interest to Iran, which might include solar power and arid lands technology.

D. We are prepared to be as helpful as possible in providing advice as to how and where Iran might invest in the U.S. We recognize Iran's special interest in new generations of advanced technology (e.g., radar) and are prepared to consider investment in these areas. There are, of course, limitations on foreign investment in key defense industries.

E. We would like to be helpful to Iran in providing the industrial raw materials which Iran needs to import. As we have explained previously, supplies of many of these materials are tight, and the U.S. Govt cannot commit U.S. industry. However, we are prepared to make every effort to inform Iran as to availabilities, to see that U.S. industries are fully informed of Iranian needs, and to encourage U.S. companies to be as responsive as possible to Iranian requests.

3. In sum, our purpose at this point is to get Iranian agreement to the concept of a high level discussion of areas in which we might broaden and deepen our ties and the establishment of some appropriate mechanism by which we could pursue detailed discussion of this matter. We are entirely flexible on the venue for such a meeting and the number and level of people that might attend it below Cabinet level. If you believe the foregoing should be reduced or expanded in concept or substance, please advise before approaching the Shah.

**Kissinger**

**56. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, March 15, 1974, 0740Z.

2091. For Secretary from Ambassador. Subj: US-Iranian Cooperation. Ref: A. State 48689, B. State 43366, C. Tehran 1546.<sup>2</sup>

1. Presented to Shah on afternoon March 14 proposal contained reftel (A) cast in terms you gave me orally on March 9. Shah responded immediately and affirmatively. In fact, I had difficulty in getting beyond the subject of nuclear power, because he wanted to get down to brass tacks on that right away. In any event, he did hoist aboard the broad spectrum of possible joint interests in the economic and technological fields.

2. The Shah would like the first conference of senior American and Iranian officials to be in Tehran and under his aegis. In fact, he said he would chair the first meeting in order to listen to the dialogue between the two sides. He stated that Iran is prepared to field an individual or a delegation at the same level that the US is prepared to present. The question therefore now is how to organize the delegation to visit here. My recommendation would be that in the first instance it should include the Chairman of the AEC and the Secretary of Commerce. This listing is not in derogation of the Secretary of Commerce but is to underline the Shah's current preoccupation with attempting to satisfy his ambitions in the nuclear field. He is definitely planning on nuclear power plants to the equivalent of 20,000 megawatts and has up till now committed only 5,000 to the French. He is planning to establish in the near future an atomic energy organization headed by an as yet unidentified individual who is described as being trained in atomic physics and as being "a practical man, not just a theoretician."

3. Recommendation in preceding paragraph need not be regarded as holy writ, because the Shah is clearly flexible in reaction to our initiative and is prepared to move in whatever direction we indicate. Nevertheless, there is no mistaking his preoccupation with satisfying his considerable ambitions in the nuclear field. In fact, his eyes visibly brightened when I spoke of the possibility of using heat generated by nuclear plants for direct reduction of iron ore as being technically and economically feasible. Such a process would further conserve Iran's gas

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret; Priority.

<sup>2</sup> Telegram 48689 to Tehran is Document 55. For telegrams 43366 and 1546, see footnotes 2 and 3 thereto.

reserves, according to the Harza Company representative here who floated the theory.

Helms

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57. **Memorandum From Secretary of State Kissinger to President Nixon<sup>1</sup>**

Washington, March 22, 1974.

SUBJECT

Letter to the Shah of Iran

You will recall that the Shah stated, in a CBS interview televised February 24, that the U.S. was still importing as much or more oil as it was before the imposition of the Arab embargo last September. On the following day, Bill Simon asserted publicly that U.S. figures showed the embargo to be effective and that the Shah's statements were "irresponsible and reckless." In your press conference that evening you stated that you do not regard the Shah as irresponsible and reckless, although we were, in fact, getting substantially less Mid-East oil than before the embargo.<sup>2</sup>

Simon's rhetoric aside, part of the problem was that the Shah and Simon apparently were talking about different time periods. The Iranian Prime Minister, in a statement February 26 defending the Shah's statement, presented a comparison of import figures from the final quarters of 1972 and 1973. Since the effects of the embargo did not begin to be felt here until late in the final quarter of 1973, the figures showed that U.S. oil imports were higher in that quarter than in the final quarter of 1972. Simon, however, was referring in his statement on February 25 to the situation as of that date; by then, the effects of the embargo were being felt and our oil imports were indeed down.

In any event, your remarks of February 25 appear to have helped mitigate the Shah's natural reaction to Mr. Simon's remarks. The Shah

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 755, Presidential Correspondence, Iran, M.R. Pahlavi, 1974–1977. Confidential. Sent for action.

<sup>2</sup> *The New York Times* previewed the Shah's comments in its February 24 issue and on February 26 reported Simon's statement, which was made before the House Ways and Means Committee on February 25. Nixon's comments regarding the Shah at his February 25 press conference are in *Public Papers: Nixon, 1974*, p. 204.

and his government have not made any further statements on the matter. Our basic relationship with Iran remains intact, although it is increasingly apparent that the Shah's interest in maintaining high oil prices runs counter to our interest in seeing them lowered.<sup>3</sup>

A personal letter from you to the Shah would further mollify an important, proud and sensitive ally and clear away any lingering pique he may feel toward the U.S. because of this episode. The proposed letter (attached)<sup>4</sup> reaffirms the thrust of your press conference remarks. It reiterates that you do not associate yourself with the particular language used by Mr. Simon but that our figures show our oil imports to have declined during the course of the embargo. The letter also reaffirms the importance you attach to relations with Iran and with the Shah personally.

*Recommendation:*

That you sign the attached letter to the Shah (Tab A). (Text approved by Dave Gergen's office.)

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<sup>3</sup> In a briefing memorandum to Kissinger, March 20, Saunders recommended avoiding mentioning in the letter to the Shah the topic of the OPEC announcement in Vienna of the decision to lift the embargo, since Iran never participated in the Arab embargo and since, given divergent U.S.-Iranian interests on oil prices, there was nothing "nice" to say on the subject. (National Archives, Nixon Presidential Materials, NSC Files, Box 755, Presidential Correspondence, Iran, M.R. Pahlavi, 1974–1977)

<sup>4</sup> In the attached letter, dated March 23, Nixon assured the Shah that "there was no excuse for Mr. Simon's rhetoric, and you have our apology. As I indicated in my press conference, I dissociate myself and my government from his remark." Nixon also noted that he attached importance to the bilateral discussions intended to deepen U.S.-Iranian ties. The Shah replied on March 27 in a letter expressing gratitude for the President's understanding in the Simon matter and commitment to the "unshakeable" U.S.-Iranian ties. Both letters are *ibid.* According to a memorandum from Saunders to Scowcroft, April 3, the President's letter was not sent to the Department of State for fear that "circulating it would be unnecessarily embarrassing to Simon." (*Ibid.*)

**58. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, April 11, 1974, 0224Z.

73527. Subject: U.S.–Iran Cooperation. Ref: State 48689, Tehran 2091.<sup>2</sup> For Ambassador from the Secretary.

1. Following the Shah's favorable reaction to our proposal to broaden and deepen our relations, the next step is to set the stage for substantive and concrete discussion of priority areas of cooperation we would both wish to pursue. I want it emphasized that we view this new effort as very much an equal partnership exchange in which both sides will feel free to advance new ideas and suggestions and to discuss these fully, freely and frankly. Please approach the Shah along the following lines.

2. We are gratified by his positive response to our proposal and want to move expeditiously to give substance in concrete ways to the concept of broadening and deepening our ties. Since our first approach to him, we have developed some specific ideas which we believe have merit and on which we are prepared to move promptly once we have the Shah's reaction and any suggestions he may have. We want to emphasize from the outset that we wish to be responsive and we desire our planning to be in accord with Shah's own views and priorities. I look forward to discussing this personally with the Shah at a fairly early date so as to have the full benefit of his own views as to how we can most effectively work together over the entire range of our mutual interest.

3. We believe there is considerable scope for expanded cooperation between our countries in the economic field. In order to provide proper focus and suitable high-level official guidance, we suggest the establishment of a Joint Economic Commission at the Cabinet level. On our side, we have contemplated that the Commission would be headed by the Secretary of Treasury. This is of course up to the Shah, but in our own planning for this Commission we have been assuming he would

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Immediate; Exdis. Drafted by Miklos and Sober, cleared by Sisco and Eagleburger, and approved by Kissinger.

<sup>2</sup> Documents 55 and 56.

wish to designate either the Minister of Finance or the Minister of Economy as the Iranian head. Between sessions of the Commission, which might meet annually or more frequently as it decides, the business of the Commission could be carried out by standing or ad hoc working groups that could address general areas of concern or specific projects.

4. We have noted the priority the Shah gives to developing alternative means of energy production through nuclear power and agree this is the area in which we might most usefully begin on a specific program of cooperation and collaboration. I suggest this be the first working group under our Joint Economic Commission. The Chairman of the Atomic Energy Commission is prepared to visit Tehran with a team of experts to discuss, with whomever the Shah designates, ways and means by which we can most usefully cooperate in this field based on our own extensive experience.

5. We are also prepared to get together a team or teams of experts to visit Iran or to receive Iranian officials here to explore ways of transferring U.S. technological skills and know-how to Iran so as to develop a research or manufacturing capability in other selected areas it considers of high priority. We have in mind such areas as water desalinization, solar power, and certain fields of mechanical and electronic engineering, including solid state electronics and production of selected military end items. We would welcome the Shah's views as to whether these are areas of particular interest or whether there are others he would wish us to consider.

6. You should note our understanding of the Shah's high interest in developing a petrochemical capability which will enhance and diversify the value of his oil resources. You may tell him we are prepared to field a team of experts or to explore here with his own representatives concrete ways in which the U.S. and Iran might collaborate in bringing his desires to realization.

7. You might also note our understanding of the Shah's interest in the fields of advanced radar and communications including satellite and ground systems, and that we are prepared to discuss ways in which Iran might become involved in these fields. (FYI: With regard possible US teams under 5, 6, and 7 above, we need to explore how much can be done through USG personnel and existing official funds, recognizing that private industry and expertise will be needed to do the job. You should therefore handle these suggestions in way to leave US flexibility. End FYI)

8. We would welcome knowing other subjects the Shah might like to have addressed for priority attention under our proposed Joint Economic Commission. (FYI: We are exploring potential for collaboration

on complex problems such as Iranian desire for assured supply of raw materials, and channeling of resources to the neediest nations, but are not in position to offer specifics at this time. End FYI)

9. With regard to political and security matters, we are prepared to continue and expand the consultations and close ties which already mark our relations and which we value greatly. We would like to feel free, and have the Shah feel equally free, to raise for full and frank discussion between us such matters as our common interest in achieving a durable peace between the Arabs and Israel and what we are trying to do to help achieve it; problems affecting the stability of the Persian Gulf region and the Indo-Pakistan subcontinent; the need to assure freedom of access through the Indian Ocean; and such extra-regional matters as the prospects for détente between US and the Communist powers, and trends in US relations with Western Europe. We contemplate remaining in the closest touch on the Shah's concerns regarding Iran's security and on how we can continue to cooperate through our sales and training programs in helping to build up Iran's defensive capability. We also hope to exchange ideas on how closer regional ties might be developed, particularly between Iran and Saudi Arabia, to enhance regional security. Through our ties in CENTO and other channels we will wish to remain in close contact on Soviet activities and intentions that could threaten regional stability.

10. It is our current feeling that use of existing channels and mechanisms can be intensified for the expanded cooperation we have in mind in the political and security fields. We will wish frequent visits to Iran by senior US civilian and military officials, and we hope the Shah will agree these can be complemented by similar visits to the US by Iranian officials. We see our respective diplomatic missions and the US Military Mission in Iran as playing key roles. We would welcome the Shah's views as to whether any additional structure is needed to ensure the type of very close exchange we wish. We would be receptive, for example, to suggestions for more structured political consultations than we have had, on a regular basis. And if the Shah believes our military cooperation can be improved, for example by establishing a joint commission on security matters, we are prepared to respond to his wishes.

11. Please tell the Shah that I have hoped for an early occasion to visit Tehran, and subject to his views I am prepared to do so during the course of my next trip to the Middle East when I shall be trying to help bring about further progress toward Arab-Israeli peace. During my visit to Tehran we could discuss in more detail any of the foregoing as well as other ideas the Shah and his advisors may have as to the substance or structure of our expanded cooperation. My visit could provide a good occasion for a public announcement of our new coopera-



tive relationship.<sup>3</sup> (Should the Shah like some earlier announcement, however, we will be pleased to have any specific suggestions.) Immediately following my talks with the Shah, a first joint working group meeting on nuclear power could take place in Tehran, in which the Chairman of our Atomic Energy Commission and her experts would participate. This meeting would be concrete evidence of our mutual interest in developing closer ties through specific concrete programs. During my visit we might also agree as to the timing, agenda and venue of the first meeting of our Joint Economic Commission.

12. I am confident the Shah will appreciate the seriousness of our purpose and our desire to move forward vigorously in specific concrete ways. We attach highest value to a partnership from which we are confident both our nations can benefit greatly.<sup>4</sup>

Kissinger

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<sup>3</sup> Helms cautioned in telegram 2838 from Tehran, April 13, that since the Shah “does not ‘like to wear Arab clothes,’” the United States should “go slowly in giving widespread publicity to this new effort since it will place the Shah in the position of following closely in the footsteps of the US/Saudi announcement.” (National Archives, RG 59, Central Foreign Policy Files, D740086–0205) The U.S.-Saudi statement, issued on April 5, announced the two countries’ intention to expand and give “concrete expression” to cooperation in economics, technology, and industry. (Department of State *Bulletin*, April 29, 1974, p. 459)

<sup>4</sup> The Shah replied through the Embassy in telegram 2958, April 17, approving the Joint Economic Commission, the technology transfer proposal, petrochemical collaboration, advanced radar and communications development, and discussions on political and security matters. He also hoped for U.S. assistance in the production of 10,000 megawatts of nuclear energy, and added that all of the proposals could be handled within normal bilateral agreements. (Ibid., Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–)

59. Paper Prepared by an Interdepartmental Working Group<sup>1</sup>

Washington, April 25, 1974.

STUDY REPORT  
JOINT U.S.-IRANIAN COOPERATION

*Why Iran Is Important to Us*

Our interests in Iran are substantial and are growing steadily:

—Iran is the most powerful, politically most stable, and economically most developed state on the Persian Gulf. It shares with us an interest in promoting moderate elements in the area and in limiting the influence of the Soviet Union and radical forces. Prospects are good for Iran's long-term stability and a continuation of its present international orientation, even if its present leadership leaves the scene.

—Iran is relying on its new economic and military power in pursuing a more assertive foreign policy, particularly in the Persian Gulf but also in the Middle East generally and in South Asia. This is reflected in proposals for a regional common market, offers of low-interest oil loans to selected countries, and increased interest in the Indian Ocean.

—Acting as a responsible regional power, Iran can help stabilize the area politically, encourage regional cooperation in defense and economic development, and assist less developed states. Cooperation or a *modus vivendi* between Iran and Saudi Arabia is essential to stability in the Gulf and adjacent region; however, to date there has been no active cooperation, and their relationship has been little more than correct.

—Iran is a major source of oil for Western Europe and Japan, and normally supplies about seven percent of our own oil imports. Iran's refusal to join Arab oil embargoes has in the past been essential to Western ability to mitigate the effects of those embargoes. Iran also plays a leading role in OPEC, exerting special influence on oil pricing policies. Its future influence on international petroleum policies, while

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 1338, NSC Secretariat, NSC Unfiled Material, Folder 6. Secret; Exdis. Sisco sent this paper to Kissinger under an April 27 covering memorandum that reads: "Although there is no separate NSSM on Iran, I am submitting this report to you in the same way as our similar initial study on Saudi Arabia (forwarded with my memorandum of April 10 under NSSM 198). The attached report represents the views of the Interdepartmental Working Group which I chair under NSSM 198. Representatives of the Department of Commerce, Atomic Energy Commission, and the Federal Energy Office have taken part in our discussions and concur in this report together with the agencies to which NSSM 198 was addressed." NSSM 198, March 12, is entitled "Joint U.S.-Saudi Economic, Military and Technological Cooperation."

not as great as that of Saudi Arabia, will nonetheless be substantial, and its actions will affect the major consuming nations as well as LDC's.

### *Objectives*

Our objectives in taking the initiative to broaden and intensify our relationship with Iran are:

- to reinforce the close and harmonious cooperation that has generally marked our relations, having in mind the Shah's feeling that not all elements of the U.S. Government fully appreciate Iran's importance or his own leadership potential in the region.

- to engage the Iranians so intimately as to assure an enduring relationship under this or successor regimes, a relationship in which we can encourage Iran to play a moderating and stabilizing role, particularly in the Persian Gulf region (in cooperation with Saudi Arabia) but also in the Near East generally, South Asia, and the Indian Ocean area.

- within the context of our basic oil strategy, to influence Iran on oil supply, oil pricing, and financial management of oil revenues to the benefit of broader world interests.

- to encourage Iran to use its growing oil wealth to assist LDC's and to support international lending agencies.

- to maintain and even expand the important share of the Iranian market and economy which American industry and technology now hold, in this process offering Iran a viable alternative to bilateral barter arrangements with other countries.

- to ensure continued access to Iranian airspace and ports as well as Iranian cooperation in various intelligence operations.

### *Strategy*

With Iran we already have close political ties and a long-standing security interest. Our association with Iran with regard to military supply arrangements is excellent, although we need to preserve our competitive edge over others. The area which has the greatest potential for enhanced cooperation is economic. It is there that we should concentrate our efforts.

We should accompany new initiatives in the economic field with efforts to increase the intimacy of our consultations on political and security issues so as to consolidate a close overall relationship. Prudent orchestration is important. By careful timing and management of our initiatives in one field, we may be able to reinforce our actions in another. Credible efforts in some areas of economic cooperation could yield new incentives for the Iranians to cooperate more closely with us in the other, more controversial fields in which our views differ, e.g., oil pricing. As we seek a meeting of minds on energy problems, however, we must recognize that our interests now collide in some respects and

that a more satisfactory Iranian oil pricing stance may ultimately emerge not so much from a dialogue with Iran as from the results of actions we may be taking elsewhere, e.g., with Saudi Arabia.

The keynote of our intensified relationship must be partnership, stressing the mutual benefits and avoiding the faint paternalism that at times has been apparent in our discussions with the Iranians. We should invite Iran to raise with us any subject of concern or interest. The Iranians should be given reason to feel confident that their views will be weighed seriously. We will have to make it clear that we have no master plan of our own for cooperation with them. We want their contributions.

The Iranians probably will be seeking in this expanded relationship things that it may be difficult—perhaps impossible—for us to provide, particularly in the economic field. We will need to be innovative and flexible in devising mutually satisfactory solutions to the problems that may arise, recognizing that we are giving special attention to this new relationship with Iran.

The dominating role of the Shah on the Iranian scene must be fully borne in mind. An affirmative attitude on his part is essential if the relationship is to be dynamic and fruitful. He has warmly welcomed our proposals for this new relationship and wants to get down to specifics as soon as possible.

#### *The Elements of the New Relationship*

A. *Political and Security Consultations:* The range of topics we should be prepared to discuss—in greater detail than in the past—would reflect our recognition of Iran's growing importance to the region and in the world. Examples are:

- Iran's security concerns; the need to strengthen moderate elements in the Arab world; the contributions that interested parties could make towards achieving and maintaining an Arab-Israeli peace settlement; the means and tactics of cooperation between like-minded regional states (in particular between Iran and Saudi Arabia) to assure the stability, freedom from outside interference, and security of the Arabian Peninsula and the Persian Gulf region.

- problems affecting the stability of the Indo-Pakistani subcontinent; the strategic importance of and the need to assure access through the Indian Ocean; the role of CENTO; Soviet intentions, capabilities, and activities in the Middle East-South Asian regions.

- the significance for Iran of major trends and developments in SALT, East-West détente, U.S.-European relations, and international monetary reform.

For their part, the Iranians will be interested in our understanding and appreciating their problems with their neighbors, particularly Iraq,

their concerns over radical Arab leaders such as Qadhafi, and their fears regarding Soviet efforts at subversion and infiltration throughout the region, as well as their perceived requirements for defensive preparedness. They may seek some sort of enhanced security relationship with us going beyond the CENTO tie.

*B. Military Cooperation:* The Shah intends to add to Iran's defensive capabilities. Consultations in this field might therefore center not only on what the United States might usefully make available in the future in weapons systems and training, but also on ways of making the present supply and support arrangements more effective. The Iranians are interested in manufacturing selected military items and in developing greater repair and rehabilitation facilities for their existing defense inventory. The Shah himself has urged us to assist Iran to manufacture certain military missiles. Recently, an initial, informal DOD survey determined that complete Iranian manufacture of such missiles would be very difficult for Iran at this time. Our blanket encouragement of such activity would be a disservice to them. We should, however, be able to identify suitable military equipment which could be manufactured or coproduced in Iran. Such ventures will still require careful assessment: on the one hand, we do not wish to encourage unrealistic Iranian expectations; on the other, we must recognize that there may be advantages in building a defense industry capacity as an integral part of Iran's general industrial development.

*C. Economic Cooperation:* Both countries want still closer economic relations. Since the end of the AID program in Iran in 1967,<sup>2</sup> U.S.-Iranian economic and commercial relations have largely been left in private hands, although the Export-Import Bank has played a substantial role. Iran has become a steadily more attractive target for American business, even leaving aside the sizable military sales program. Our economic involvement should thus grow in any event, but it could be effectively broadened and intensified under an officially sponsored program of cooperation. Under such a program, we would work for a better mutual understanding on world oil issues and for the recycling of Iranian oil revenues into the U.S. and world economies and into assistance for the LDC's. At the same time, we would be promoting an efficient transfer of American technological and industrial capabilities to Iran, paying highest priority to the Shah's desire for development of nuclear energy and a petrochemical industry. Our efforts might therefore center on the following:

1. *Energy: Nuclear Power.* The Shah is anxious to start a major nuclear power industry in order to prepare the country for the time when

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<sup>2</sup> The U.S. AID program in Iran was terminated on November 30, 1967.

its oil reserves begin to run out (at the end of the century, according to current estimates). While phasing nuclear energy into a country-wide grid, Iran would progressively have its oil available for more profitable, non-fuel uses (i.e., petrochemicals). An Iranian-French understanding has already been reached whereby the French are supposed to help establish a 5000 megawatt nuclear energy capacity as the first major step in this direction. The Shah, however, has told us he would prefer the U.S. as a contributor, and hopes we will in time help develop a 10,000 megawatt capacity for Iran. In any event, the Iranians will need and will seek from the U.S. advice on organization and technical processes, as well as training of Iranians and technical assistance. We can provide much of what is needed. Beyond that, we hope to ensure that the U.S. becomes a major source of the equipment as well as the technology used in this industry. Finally, Iran is interested in participating—mainly financially—in the research and development of advanced nuclear power and possible uranium enrichment systems. We are prepared to welcome Iranian investment to the legally feasible extent.

2. *Energy: Petroleum.* We do not want a bilateral oil arrangement. We will, however, be seeking:

—a better mutual understanding on world oil issues, especially as regards the implications of different levels of oil prices on world production and consumption over the longer term. Given Iran's present position favoring high oil prices, discussions on oil are bound to be sensitive and will require careful orchestration of our efforts with other major oil producers and within the multilateral groups dealing with energy problems; however, the detailed estimates of the costs of alternative energy sources we will be developing should be of major interest to the Iranians and could gradually help persuade them of the necessity of modifying their present stance on oil prices.

—acceptance of, or accommodation to, our views regarding other possible conflicts in our respective energy policies, e.g., the basic Iranian oil supply position in the future American market, the location of refineries supplying the American market, the implications of "Project Independence".<sup>3</sup>

For their part the Iranians will want:

—better U.S. understanding, if not approval, of their oil pricing policy.

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<sup>3</sup> Project Independence was President Nixon's program for responding to the 1973 energy crisis.

—U.S. cooperation in their plans to build export refineries in Iran, and to acquire equity and a major management role in downstream activities in the U.S.

—access to the American market on favorable terms and at reduced tariffs for their oil products and by-products.

3. *Promoting Iranian Industrial Development.* The Iranians want more joint ventures that will bring higher technology industry to their country, thereby providing more industrial items for domestic use while enhancing Iran's export potential. The Shah is particularly interested in using Iran's oil and natural gas to produce petrochemicals and fertilizers. We have already informed the Shah that we are prepared to field a team of experts or to explore here with his own representatives concrete ways in which the U.S. and Iran might collaborate in bringing his desires to realization. The Shah was pleased. Another example is steel manufacturing. The Shah hopes to increase Iranian steel production to 15 million tons a year by 1983.

We are prepared to lend active encouragement to suitable investment, licensing, and technology transferring ventures in the industrial field, using such tools as Export-Import Bank financing, the Commerce Department's Major Export Projects Division, and consultations with American business leaders, bankers, and industry and trade associations. We may also have to devise new mechanisms in cooperation with American business that will allow the U.S. Government to become in effect a trusted catalyst in negotiations between Iranians and U.S. firms. We meanwhile should explore with the Iranians ways of improving and simplifying procedures for American private investment in Iran. We will wish to conclude a tax treaty, now in the initial negotiation phase, which can remove some of the problems that have faced American business in Iran. We will encourage the Iranians to improve their copyright protection and to offer incentives for American firms to bid for turnkey jobs in key industrial projects.

4. *Science and Technology.* We should be prepared to send teams of experts to Iran, or to receive Iranian teams here, to explore ways of transferring other American technological skills and know-how to Iran. Fields in which the Shah or other Iranians have expressed an interest include water desalination, solar energy, electronic engineering, and advanced radar and communications including satellite and ground systems. We will, however, have to work out with the Iranians what is realistic and feasible, what would be marginal, and what would contribute most to Iran's economic development in light of the state of the art, Iranian capabilities, and market forecasts.

The Shah has informed us that he is most anxious to take advantage of American know-how in agriculture on the widest possible scale.

Cooperation in technology transfers might include development of suitable joint research projects and indigenous manufacturing capabilities. It will require the involvement of American industry and private research and engineering companies, although U.S. Government can make a contribution in some areas. We should consider negotiating with the Iranians an umbrella agreement under which reimbursable technical services could be supplied through AID. We could also consider breathing new life into the 1968 U.S.-Iranian Agreement on Scientific Cooperation.

5. *Trade.* We will seek arrangements with the Iranians to lower barriers to American exports. The Iranians will want our cooperation and help in guaranteeing or allocating an adequate, regular supply of key American raw materials at uninflated—ideally at controlled—prices. They may seek preferential access to the American market for exports in addition to oil products and by-products. These will be difficult issues for us. In some case, they may be virtually impossible to resolve to Iranian satisfaction. We should, however, be ready to discuss them and explore what can be done.

6. *Iranian Investment and External Assistance.* We would examine with the Iranians the effect of their growing foreign exchange reserves on the global economy and on monetary stability, as well as the role Iran could play in making investment capital and assistance available to LDC's. We would want to work with the Iranians in developing or identifying third-world investment opportunities which are consistent with our own interest. Even if the Iranians proceed with their own or an OPEC-sponsored institution for channeling developmental aid to other countries, we would encourage them to continue making transfers also through existing international financial institutions.

We would work with the Iranians in identifying and developing attractive, direct investment opportunities in the United States. We would assist the Iranians in the development of joint ventures and the identification of turnkey purchase arrangements with American firms. In response to specific Iranian desires, we would seek out places where the Iranians could invest in research on, for example, new energy sources. In whatever we do, we will take into account Congressional attitudes and domestic sensitivities about foreign investment and potential foreign control in certain fields.

#### *Mechanisms for Cooperation*

Other than for economic cooperation, where we believe a Joint Commission and Working Groups should operate, we do not see the need for formal, new mechanisms.

A. *Political and Security Cooperation:* The Shah has welcomed our proposals to continue and expand the political and security consulta-



tions and close ties that already mark our relations. He has proposed in turn that the Secretary of State and the Iranian Foreign Minister meet two times yearly, once in Tehran and once in Washington. He wants such meetings to be separate from regular meetings of the CENTO Foreign Ministers. We want to continue and perhaps intensify the two-way flow of senior civilian and military officials between Iran and the United States to discuss issues of common interest, and would be prepared to do so in a more structured way; while agreeing in principle, the Shah prefers that most such visits be to Tehran because, as he puts it, in Iran, "I take the decisions . . ."

*B. Military Cooperation:* In response to our questions as to how military cooperation might be improved, the Shah has specifically proposed semi-annual meetings between the Chairman of our JCS and his Iranian equivalent. The meetings, in the Shah's view, should also be separate from regular CENTO military conferences. Although the Chairman of the JCS may not be able to meet such a schedule, we should be able to devise and carry out a program of suitable, high-level DOD consultations that would satisfy Iranian desires in this area.

*C. Economic Cooperation:* We believe that establishment of a Joint Economic Commission at Cabinet level would provide the needed focus in this area, while providing a tangible public demonstration of our determination to intensify our cooperation. Its creation would tend to stimulate the interest of American firms in doing business with Iran. The Shah has accepted with enthusiasm our proposal for such a commission.

The Shah has said he will designate his Minister of Economy to head the Commission on the Iranian side. The logical U.S. Chairman would be the Secretary of the Treasury. The Secretary of Commerce would be a member and serve also as alternate U.S. Chairman. Other possible U.S. members include: the Under (or Assistant) Secretary of State for Economic Affairs; the Assistant (or Deputy Assistant) Secretary of State for Near Eastern and South Asian Affairs; Director of the National Science Foundation, and/or the Assistant Secretary of State for Ocean, International Environment and Scientific Affairs; the Chairman of the Atomic Energy Commission (or the Administrator of the Energy Resources and Development Agency when it comes into being); the Deputy Assistant to the President for International Economic Affairs; and a representative of the Defense Department. But such a large membership could prove cumbersome, and we will wish to consider this further.

We believe that the Joint Economic Commission should meet once a year, and more frequently if necessary, alternating between Tehran and Washington. (The Shah has suggested semi-annual meetings.)

Working Groups should be set up to deal with specific topics, perhaps beginning with the six major areas identified above in the “Elements” of economic cooperation. Other groups could be established for specific industrial or technology-transferring projects. Provision may have to be made for hiring consultants. We will also be exploring whether a businessmen’s advisory group would be helpful in advancing the aims of our program.

#### *U.S. Government Coordination*

Overall policy direction should come from the Secretary of State, to assure the proper orchestration and content of our multifaceted relationship with Iran. We believe he in turn should designate the Under Secretary of State for Political Affairs to provide day-to-day political guidance and to take the lead in interagency coordination, using the State Department’s Bureau of Near Eastern and South Asian Affairs as his principal instrument. Secretariat-style support for the activities of the Joint Economic Commission and its Working Groups would be provided by the agency of the Commission’s U.S. Chairman.

#### *Scenario*

Ambassador Helms has shared with the Shah our current thinking, and the Shah responded positively and enthusiastically. He apparently believes that all our proposals for intensified cooperation can be handled within the spirit of our existing bilateral understandings, and has no firm views—pro or con—regarding publicity for this new program. Although we will have to explore this question at greater length with the Shah, we believe that a joint announcement of the new relationship could be issued during the projected early visit by the Secretary of State to Tehran.

It has been agreed that the first meeting of a joint Working Group on nuclear power should take place soon in Tehran, possibly immediately after the projected visit by the Secretary of State. The Chairman of the Atomic Energy Commission will lead the U.S. team. This meeting will demonstrate our interest in going ahead with the program in a determined way.

The first session of the Joint Economic Commission might take place in the Fall of 1974. U.S. preparatory work should begin promptly in each of the areas of cooperation we envisage so as to identify issues, collect or initiate studies, and plan for the initial U.S. presentations.

In advance of any public announcement, we should explain our new cooperative relationship with Iran to our European allies, Japan, Saudi Arabia and certain other Near Eastern countries, as well as to Iran’s CENTO partners, Turkey and Pakistan. In addition, we should notify key members of the Congress and assure them of our intention to keep them informed as our new relationship with Iran pro-

gresses. We should emphasize that our new cooperation will be built on the long-standing friendship and close relationships we have had. We would point out that this is not a bilateral oil-for-industrialization-or-arms deal. We should inform the Congress that we have no security commitment in mind and that we will not be seeking any assistance funds for our expanded relationship.

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## **60. Editorial Note**

On March 19, 1974, the Iranian Government, in an anti-inflationary measure, announced the liberalization of its import regulations by reducing certain taxes, permitting the free import of restricted items, and allowing previously banned imports. In telegram 2262 from Tehran, March 20, the Embassy noted that the liberalization of imports was consistent with the sharp increase in the availability of foreign exchange in Iran. Total Iranian imports were expected to rise more than 66 percent in the coming year. (National Archives, RG 59, Central Foreign Policy Files, D740058–0899)

The Iranian economy was also suffering from food shortages. In a memorandum of conversation, May 13, the Embassy's Commercial Officer, Richard Coulter, recorded the view of four Iranian businessmen that corruption in very high places was to blame for food shortages in Tehran. Coulter wrote that when one asserted, "everyone knows that this business is Princess Ashraf's fault," the others expressed "general agreement that the princess has been given complete control over the city's food supplies and is trying to drive up prices in order to maximize her profits." There was also "universal agreement, with much regret, that the people are becoming desperate and that there are plenty of potential rabble-rousers who may bring them out in the streets." They agreed that the Shah must remain in power to avert anarchy, but "no love for the Shah was expressed by this group of conservative, well-to-do businessmen." (Ibid., RG 84, Tehran Embassy Files, Box 184, Iran 1975, E-8-2, Prices, Anti-Inflation)

In telegram 3980 from Tehran, May 19, the Embassy reported that, despite inflation, the Iranian Government was considering the removal of subsidies on basic foodstuffs to raise domestic food prices and, thereby, production. Increased imports were expected to relieve the scarcity in the short term, although food sold at world prices would be expensive for the average Iranian. Although raising food prices for farmers was likely the only way to increase domestic production, the

Embassy commented, the abolition of food subsidies would “present severe hardship to already inflation-plagued city-dwellers, which could easily cause unrest.” (Ibid., RG 59, Central Foreign Policy Files, D740124–0466)

On May 27, Walter Lundy, an Economic and Commercial Officer at the Embassy, commented on the new economic policy in a report on local food shops. Noting that the shortages he had observed were not serious, Lundy expressed greater concern at “the larger question of the GOI’s pending removal of subsidies on some food commodities and the effect this will have on the already serious rate of inflation” which was at least 15 percent annually. Remarking that urban day laborers, who were suffering most, had seen a substantial drop in real income over the past year, he nevertheless concluded: “I do not think there are enough tangible indications of a critical problem as yet, and I believe we would unnecessarily alarm the Department by trying to make a case that a serious problem exists at this time.” (Ibid., RG 84, Tehran Embassy Files, Box 184, Iran 1975, E–8–1, Prices, Cost of Living)

By July 2, however, according to telegram 5447 from Tehran, the Iranian Government had reversed itself on the subject of price subsidies on basic food items, deciding to continue or increase them for the anti-inflationary effect. (Ibid., RG 59, Central Foreign Policy Files, D740176–0247) In telegram 6042 from Tehran, July 22, the Embassy reported that as the inflationary spiral continued, the Iranian Government had announced new economic policies. The Embassy expected the measures, including increased subsidies and price controls on basic commodities, lower import duties, reduced personal income taxes for the poor, new bond issues, and stricter enforcement of measures, to have some psychological impact. Yet the policies’ most likely result, the Embassy speculated, was a short-term rise in disposable incomes of the lower classes rather than a reduction in inflation. (Ibid., D740197–0289)

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## 61. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, June 11, 1974, 0813Z.

4744. For the Secretary and Sisco from Ambassador. Department please pass Cairo. Subj: Iran’s Purchase of F–14 Airplanes.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Priority; Nodis.

1. With Shah's decision June 10 to purchase additional 50 F-14's and, for the present at least, no rpt no F-15's, we seem to have reached a major milestone in consideration of the aircraft issue.<sup>2</sup> However, if recent indications from the F-15 manufacturer, McDonnell Douglas, are any guide, we are still some distance from a lasting peace on the Congressional front.

2. To review the background: Following Shah's approaches to the President and you last year,<sup>3</sup> we presented GOI with a letter of offer for 30 F-14's in January. At that point Shah was also thinking of a buy of 53 F-15's. During succeeding months it became clear that F-15 had not reached equivalent stage of development and that its cost would be higher than anticipated. (In fact, when F-15 letter of offer arrived here from SecDef's office it contained some one-time charges that were not present in F-14 contract. These were removed this month with submission of a revised L/O, but by that time DOD had pointed up to Iranian military that F-15 alleged to have certain shortcomings, merits of which we in no position to judge.)

3. Problem was further complicated by DOD's need to provide for Grumman's cash flow problem in light of Congressional dissatisfaction with past arrangements. U.S. Navy originally planned to place this burden on Iran, but we demurred and final solution was for USN and Iran to share Grumman financial support on same basis.<sup>4</sup> Shah accepted this arrangement June 10 without questions.

4. These developments naturally fired up McDonnell Douglas which sent its Marketing Vice President, Robert Little, here last month. Little told ranking Iranians DOD was out to save Grumman at expense of F-15 and his company and that F-14 was inferior aircraft. It seems his technique may have had reverse effect on GOI which resents second guessing by U.S. salesmen.

5. On the Washington front we note in press here that Senator Symington entered the fray on McDonnell's behalf and we understand that Senator Proxmire is considering public hearings on the F-14/Grumman financing issue. We have told the Iranians that they can expect a large clamor from Washington and asked that they be patient

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<sup>2</sup> In a June 11 letter to Schlesinger, Lieutenant General Toufanian wrote that the Shah would procure a total of 80 F-14 aircraft instead of the previously-planned combination of F-14s and F-15s. (Washington National Records Center, OASD Files: FRC 330-78-0011, Box 64, Iran 452, 1974)

<sup>3</sup> See Documents 26, 29, and 36.

<sup>4</sup> Schlesinger explained to the Shah in a June 6 letter that Iran, like the U.S. Navy, would be required by the Grumman Aerospace Corporation to advance funds for F-14 contracts above the normal "80%-of-work-accomplished progress payments." (Washington National Records Center, OASD Files: FRC 330-78-0011, Box 64, Iran 452, 1974)

with the workings of our institutions. I believe they will, if Iran does not become a focus point in this controversy.

6. Wanted to bring this to your attention as at some stage you may be injected into this controversy. Incidentally, Iran's purchase of a total of 80 F-14's (30 plus the new 50) will bring the U.S. almost 1.8 billion dollars, missiles not included.

**Helms**

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**62. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, June 26, 1974, 1258Z.

5268. Subject: Iran's Current Foreign Relations—An Analysis.

1. *Summary:* Recent multiplication of oil revenues has given Iran new tools to carry out its long-cherished desire to play more influential role on world scene, particularly in regional affairs. Shah has skillfully used this economic leverage to enhance Iran's political and strategic objectives, and country is riding wave of confidence and pride in its new prominence and power. In past six months some thirty countries have sent high-level delegations to Iran seeking aid and trade agreements, and many have offered political IOU's in exchange. In Persian Gulf area Iran has sought to safeguard its oil lifeline by building its own armed strength and giving economic (and in case of Oman, military) aid to bolster sheikdoms and help them survive insurgent threats. Hostility towards Iraq which Shah views as Soviet stalking-horse and regional troublemaker will continue for time being. On subcontinent, in order to foster stability and bring its own relations into better alignment with power realities Iran has drawn closer to India while maintaining good rapport with other countries. Improvement of relations with Egypt and Syria will give Iran new backing in Arab councils, while economic deals with dozen African countries will increase Iran's influence there and provide it with many needed commodities. Shah remains deeply suspicious of Soviet intentions and actions in Middle East, and commercial and political disputes have cooled relations be-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740168-0680. Confidential. Repeated to Islamabad, Jidda, Kabul, Moscow, New Delhi, USUN, Baghdad, Cairo, Amman, Muscat, Abu Dhabi, Manama, Doha, Tel Aviv, Damascus, Dacca, Kathmandu, Beijing, London, and Kuwait.

tween two countries. With China, however, relations have improved considerably because of congruent interests. Numerous OECD countries recently have negotiated economic deals with Iran which could possibly amount to \$18 billion or more, and Iran is purchasing increasing, but still small, share of its military hardware from Europeans. United States remains single most important country for Iran. Fundamentally our interests are similar and our relations excellent, and we should continue to play influential, if not exclusive, role in Iran's development as a substantial power. *End summary.*

2. Shah has long been determined to carve out role in world affairs for Iran commensurate with its size, wealth and past glory. Thanks largely to recent multiplication of its oil revenues, Iran now enjoys greater ability to project its power and influence abroad than it has had for centuries. Iranians are riding wave of confidence and ebullience about their foreign relations and are taking enormous satisfaction from image of British, Italians, and others rushing to Iran for help in solving their economic difficulties.<sup>2</sup> Steady stream of Heads of State, Cabinet Ministers and economic delegations—over thirty in past six months—has come to Tehran seeking aid or trade. Similarly, Iranian officials have carried offers of economic assistance, joint commercial and investment ventures, and guaranteed oil supply to all parts of Asia, Africa and Europe. On multilateral scale Shah has also seized initiative by proposing establishment of development assistance fund for LDC's and promising large loans to IMF and IBRD to cushion effects of higher oil prices on LDC's.<sup>3</sup>

3. Shah has used Iran's new economic leverage to enhance his long-term political and strategic objectives, exchanging economic concessions, most of which will not come due for many years, for political IOU's. Among these objectives, discussed in more detail below, are (A) assuring dominant political and military role for Iran in Persian Gulf and eventually effective influence in Indian Ocean affairs; (B) thwarting what Shah sees as continuing Soviet threat to Iran through encirclement and subversion of Gulf, Indian Ocean and sub-continental states; (C) isolating Iraq and gaining settlement of conflict with that country on terms acceptable to Iran; (D) undercutting radical Arab influence in underdeveloped world and increasing Iran's influence with LDC's; and (E) assuring necessary supplies and markets for future Iranian industry after oil runs out.

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<sup>2</sup> In telegrams 5469 and 5681 from Tehran, July 3 and 11, Helms reported the Shah's plan to advance \$1 billion to France over the next 3 years in prepayment of imports needed in joint ventures, and \$1.2 billion to the United Kingdom, mostly in loans. (Both *ibid.*, D740176–0579, [no film number] respectively)

<sup>3</sup> See footnote 3, Document 53.

4. Clearly Iran has made remarkable use recently of its economic and diplomatic assets to gain new influence and to project an image of strength and responsibility on international scene. In assessing this performance, however, we must not lose sight of fact that for present at least much of this image is more a statement of future intentions than of current reality. In many ways Iran is still very much an underdeveloped country itself and will require years of steady progress domestically before it can make good on all commitments and promises it is now making. Although thin layer of trained technocrats is very good indeed, only about one-third of population can read and write, and country is already hard-pressed to find people with managerial and technical skills it requires. Diplomatic service which must carry out expanded foreign policy is critically short of competent middle and senior level talent. It will be years before military has received and assimilated impressive arsenal of new weapons now on order. Industrial base on which Iran pins its hopes for post-oil power is still in embryonic stage. And Iran is desperately dependent upon drive, vision, and skill of one man to continue it moving rapidly toward that world position it already claims for itself.

5. There follows a region by region analysis of recent developments in Iranian foreign policy and an assessment of what it all means for the United States.

6. Persian Gulf and Arabian Peninsula. Notwithstanding expansion of diplomatic and economic influence on subcontinent and in Eastern Mediterranean and Africa, area which remains most vital to Iran is nearby Persian Gulf and Arabian Peninsula. Ever since 1968 when British announced plans to withdraw, Shah has sought to become dominant power in region in order to safeguard oil lifeline upon which all of Iran's plans to become a major power and to develop the "great civilization" depend. Shah is deeply concerned with potential for instability in Gulf states and with Soviet and radical Arab efforts to exploit it. For some time he has sought in a variety of ways to establish mutual security arrangements with other littoral states, but none except Oman has responded positively. Iran is providing substantial military assistance to help Oman defeat PDRY-backed insurgents<sup>4</sup> and is giving economic and development assistance to a number of Gulf sheikdoms to help assure their survival and political cooperation. Among reasons Arabs have been reluctant to collaborate on defense arrangements are lingering distrust of Iran's size and strength, fear that such a pact could provide Iran with *carte blanche* to intervene on Arab side of Gulf, and

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<sup>4</sup> In exchange for Iranian economic and military aid, Oman agreed to provide facilities for the expansion of the Iranian military presence, according to telegram 1869 from Tehran, March 8. (National Archives, RG 59, Central Foreign Policy Files, P740145–0919)



reluctance to take sides between Iran and Iraq against whom pact would clearly be directed. In any case, if Shah perceived that subversion or coups in littoral states genuinely threatened free passage through Gulf, he probably would take whatever action he considered necessary and possible whether previous collective security arrangements existed or not.

7. Geographically, Saudi Arabia should be Iran's natural partner in maintaining security of Gulf, but Iranian efforts to foster greater collaboration thus far have not succeeded. In addition to reasons mentioned above, other factors inhibiting effective cooperation have been traditional Arab/Iranian hostility, Iran's seizure of Tunbs and Abu Musa, Saudi realization that under present conditions it would be junior partner, Iran's relations with Israel, and, in recent months, difference over oil price policy. Nevertheless, Shah wants a stronger Saudi Arabia able and willing to cooperate to ensure peace and stability in Gulf, although he professes little hope for positive Saudi contribution as long as Faysal rules. Shah agrees with our reasons for recent massive aid and arms offer to Saudis and does not feel threatened by it, perhaps because he realizes Iran is already so far ahead and increasing its lead.

8. Despite reestablishment of diplomatic relations with Iraq,<sup>5</sup> that country remains focus of Iran's most intense hostility and suspicion, not only because of ethnic, religious and political differences and long-standing border disputes, but also because Shah is convinced Iraq has become stalking-horse for Soviet penetration of Middle East and stirs up subversion throughout region. Consequently, Shah is not interested in piece-meal improvement in relations such as settlement of land frontier dispute which would take pressure off Iraqis but not solve essential difficulties. Instead, he has made clear he wants package deal which would not only settle land border and Shatt al-Arab disputes, but lead to cessation of Iraqi interference in affairs of other states as well. Further recent aggravant in relations is heavy Iraqi bombing of Kurdish population which Shah condemns as genocide against ethnic group related to Iranians. Iran doubtless will continue to give enough assistance to Kurds to keep them from being defeated both for humanitarian reasons and because conflict keeps Iraqi Government off balance. In longer term Shah hopes to see less Soviet-influenced and more cooperative government replace present Baathist regime.

9. Subcontinent. In early 1974, Pakistanis were jolted when Iran reached new cooperative agreement with India and seemed to downgrade special relationship it had had with Pakistan. After 1971 war, not wanting weak and unstable Pakistan on its border and fearing further

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<sup>5</sup> See footnote 2, Document 236.

dismemberment of Pakistan which might have attracted Iranian Baluchis to an autonomous Baluchistan, Iran made it emphatically clear that it stood behind Pakistan and issued strong statements of support for its territorial integrity. For its part, India, unconvinced by Iran's assurances that agreement with Pakistan was purely defensive (and wanting to ensure steady supply of oil), entered into closer political and military relations with Iran's enemy, Iraq.

10. Strategic implications of close political and military ties between India, Iraq, and Soviet Union worried Iran, especially after an apparently leftist coup in Afghanistan seemed to add another link in chain of hostile encirclement. Relations between Iran and India continued to deteriorate, not because of any bilateral dispute but because of mutual suspicions about other country's arms buildup and intention toward Pakistan.

11. By late 1973 Iranian relations with subcontinent countries began to shift into better reflection of power realities there. On one hand Iran's special relationship with Pakistan began to cool because of Bhutto's cultivation of Arab states, particularly Libya, and fact that close support of Pakistan complicated Iran's relations with Afghanistan; this coincided with India's increased willingness to take pragmatic view of Iran's role in area. New atmosphere of good will grew as both sides began to realize advantages of closer collaboration. In December Shah singled out India as kind of country where Iran was prepared to invest surplus capital, and major trade agreement followed in February 1974 effectively giving oil at concessionary prices and promising heavy investment in industry to India in exchange for commodities. Mrs. Gandhi's visit to Tehran in late April further cleared air politically and laid groundwork for still closer cooperation, particularly in commercial field. One area of potential conflict in future is Indian Ocean where two countries both have ambitions but disagree on role superpowers should play.

12. Rapprochement with India has not resulted in Iran's abandonment of good relations with Pakistan but has only brought them into better balance. During Bhutto's visit in March, Shah reassured him of continuing concern for Pakistan's territorial integrity, promised to continue modest program of military cooperation, and offered generous financial aid to meet balance of payments and development needs.

13. Similarly, Iran has used its new wealth to improve relations and increase influence with Afghanistan and, most recently, Bangladesh. Iranians now see Daud as non-Communist who is probably best leader likely to arise and are doing what they can to buttress him in power, although they have to proceed carefully to avoid Afghan charges of paternalism. Having waited to recognize Bangladesh until

after Bhutto did so, Iran has now offered limited assistance to help keep that country afloat, thereby enhancing subcontinent's stability.

14. Near East and Africa. Iran's relations with Egypt in recent months have taken even more dramatic turn for better than with India. Shah, who despised and feared Nasserism, admires Sadat and before October war had made several moves to improve relations with Egypt. He was pleased when in early 1974 Sadat encouraged Numeiry of Sudan and Qabus of Oman to turn to Iran for assistance. Short time later Shah sent Minister of Economy to Cairo to see whether offer of Iranian economic assistance would help heal rift between two countries. Finding it would, he invited Egyptian Deputy Prime Minister to Tehran in May where substantial aid and development pact amounting to nearly one billion dollars was signed.<sup>6</sup> Undoubtedly Shah hopes this investment will reinforce split between Egypt on one hand and USSR and Libya on other, gain Egyptian assistance in moderating Iraqi policy, and lead to Egyptian support for Iranian views in Arab oil councils and international organizations.

15. For somewhat similar reason, and again using economic aid as means, Iran has drawn closer to Syria, although Shah still has doubts about intentions and trustworthiness of Assad. Given progress in achieving Mid-East peace settlement and simultaneous improvement in US relations with Syria and Egypt, Iran's new relationship with those two countries should not endanger its ties with Israel and may even make it possible to bring them more into open.

16. In Africa, Iran has recently offered or concluded economic assistance agreements with Sudan, Senegal, Zaire, Morocco, Tunisia, Lesotho, Kenya, Ethiopia, Nigeria, Ivory Coast and South Africa. In addition to increasing Iran's political influence in those countries, simultaneously undercutting radical Arab influence in black Africa, and paving way for African support on international issues, these deals will provide Iran with many needed commodities, access to markets for future industrial output, and constructive use for its surplus oil revenues.

17. Relations with other countries. Despite better relations with Soviet Union and series of aid, trade and development agreements since 1962, Shah remains deeply suspicious of Soviet intentions toward Iran and Middle East. With declining Soviet influence in Eastern Mediterranean, he fears USSR will now turn with increased vigor to expanding its influence in Gulf through closer ties with Iraq and support of insurgent attempts to topple conservative governments in littoral states.

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<sup>6</sup> The Embassy reported in telegram 4241 from Tehran, May 27, that the recent visit of the Egyptian Deputy Prime Minister, Dr. Abdel Aziz Hegazi, had produced an agreement for Iranian loans and credits totaling \$870 million, with details to be worked out later. (National Archives, RG 59, Central Foreign Policy Files, D740132–0920)

Opening of Suez Canal will facilitate this Soviet effort in Shah's view. For that reason he favors continuing US military presence in Indian Ocean as a balance to Soviet, although in pursuit of better relations with India and other LDC's he still publicly professes support for nuclear-free Indian Ocean resolution. Other strains on relations between two countries have been quantity of Iranian arms purchases, Iran's military assistance to Oman in Dhofar fighting, and its CENTO role and bilateral ties to US. Outside security field, Shah is resentful of USSR for high price it charges for steel mill equipment, low price it pays for Iranian natural gas, unwillingness to renegotiate gas price as called for in agreement, and increasingly hostile anti-Iranian propaganda broadcasts from Moscow and client states.<sup>7</sup> In spite of these strains and divergent interests, however, Shah recognizes that it is essential for Iran to maintain minimally good relations with its colossus to the north and therefore to extent possible he tries avoid public confrontation with Soviets.

18. Since 1971 Iran has sought better relations with China as long-term political counterweight to USSR. Iranian and Chinese interests have coincided on such matters as support of Pakistan against further dismemberment, opposition to stronger Soviet influence in India and Afghanistan and, for differing reasons, opposition to Soviet-sponsored Asian collective security system. Shah established diplomatic relations with China in 1971 and sent Empress on goodwill visit following year. Since then Iran's commercial and economic ties with China have expanded somewhat and air service between capitals will begin this summer, but it is still in political sphere that relations are most important.

19. In recent months OECD countries also have scrambled to get part of Iranian action and to ensure their future oil supply. Trade, joint-venture investment, and technical agreements which could amount to \$18 billion or more have been negotiated or discussed with Germany, France, UK, Italy, and Canada, among others. In military field Iran has diversified its sources of supply: it purchases British tanks, hovercraft and missiles, French patrol boats, Russian vehicles and artillery, German tank engines and Israeli communications equipment, although great bulk of military hardware is still bought from US. Shah's policy is to keep Imperial Air Force 100 percent American equipped. High-level visits have been exchanged with many East and West European countries, and Shah and Empress themselves are in France at this moment. Unlike case of China, basic importance of Ira-

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<sup>7</sup> The Embassy noted in telegram 4716 from Tehran, June 10, that Iran was taking public positions on Indian Ocean and Persian Gulf regional issues in conflict with those of the Soviet Union. (Ibid., D740148-0523)

nian links with European countries and Japan is in economic terms, although by-product of improved political relations is important secondary benefit.

20. United States and Iran. Despite expansion of Iranian ties with other areas of world, single most important and influential country for Iran remains United States. There are no major issues between us aside from difference on oil price, and we have many mutually beneficial interests. Iran looks to us to provide (A) strategic umbrella which allows it to play major regional role even when its policies conflict with those of USSR; (B) sophisticated military hardware and training in its operation and maintenance; (C) modern technology, plants, equipment and services; (D) education for large portion of its future leaders; and (E) political support. US for its part has great stake in Iran's survival and welfare because (A) it has ability and willingness to play responsible role in region; (B) it has history of close and friendly ties with US; (C) it is reliable and important source of oil and other resources; (D) it is growing market for our goods and services (\$7 billion in US civilian and military contracts in past two years) and a hospitable location for US investment; (E) it provides essential air corridor between Europe and Orient; and (F) it allows us to use its territory for special communications and intelligence facilities.<sup>8</sup>

21. In general, US and Iranian foreign policy interests have coincided in recent years and as our aid and tutelage phased out a close relationship as equal partners has evolved. We have encouraged Shah to play constructive leadership role in regional affairs and in Gulf Iranian actions seem almost classic case of Nixon Doctrine in action. However, we should continue to seek ways to encourage Saudi Arabia to play more active regional role so Iran's increasing predominance does not overwhelm and frighten other littoral states. Iran's efforts to maintain a balance in its relations with East and West, Arabs and Israel, India and Pakistan, developed and developing, parallels our own and should be encouraged. We must recognize, however, that these diversified ties, combined with Iranian pride, nationalism and self-assertiveness, may sometimes lead to differences in our view of bilateral or international issues. One such difference on horizon may be in international economic field where Iran is espousing views which would require fundamental changes in monetary, trade and economic structure built up over past thirty years. Another area of possible concern in future is whether Iranian military power becomes so disproportionate to that of

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<sup>8</sup> In telegram 138373 to Tehran, June 27, the Department recommended declassification of the fact that the U.S. Air Force, with the approval of the Iranian Government, operated a research station on the Shah's Royal game preserve for the purpose of monitoring the Limited Test Ban Treaty and conducting research used in support of possible future international agreements on nuclear testing. (*Ibid.*, D740169–0670).

its neighbors that it ceases to be stabilizing factor and becomes disruptive.

22. But given fundamentally excellent relations between our countries and assets we can bring to bear, there is every reason to believe we will win our share of these disagreements as we do with other countries and will continue to play an important and influential, if not exclusive, role in the development of Iran as a substantial power.

**Helms**

**63. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, June 28, 1974, 2204Z.

140768. Subject: Uranium Enrichment Contracts for Iran. Ref: State 139702.<sup>2</sup> Ambassador From Acting Secretary.

1. In reftel we informed you of arrangements for signing enrichment contracts. In talking with GOI officials you should not go beyond explanation in that message. You should also have the following which is for your background only.

2. AEC is indeed in a serious crunch on supply of nuclear fuel. Within last few days a veritable flood of requests for contracts has hit AEC which at this time does not rpt not have capacity to fulfill. There is some suspicion that several countries have heard that AEC capacity was reaching its limits and expedited contract requests. This problem is intensified by AEC's plans to implement Presidential decision to turn over the future nuclear fuel enrichment business to the private sector. Consequently AEC is close to its sustaining level of production, and cannot meet all its requests. We have been urgently trying to sort this out, but as of now AEC is unable to sign all contracts. However, in light of our special relationship with Iran we have insisted that Iran receive special attention and pushed through two contracts.

<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Niact; Immediate; Nodis. Drafted by Naas, cleared by Sober, and approved by Sisco.

<sup>2</sup> Telegram 139702 to Tehran, June 27, informed the Embassy that the AEC representative would hand-carry two uranium enrichment contracts, rather than the eight that Iran had requested, to Tehran for signing. (Ibid., RG 59, Central Foreign Policy Files, D740170–0979) Iran's request for eight contracts is in telegram 4959 from Tehran, June 17. (Ibid., D740157–1036)

3. In addition to this very real supply crunch there are political considerations you should be aware of. Under normal technical and political circumstances we would have moved ahead expeditiously to meet Iran's future needs for enriched material. However, our decision to have similar programs with Egypt and Israel has aroused strong Congressional and media criticism. Some Congressional quarters are raising broader issues of greater Congressional control over nuclear energy programs and stiffer controls or terms such as making ratification of NPT a condition for sale of nuclear fuel. Indian explosion, of course, has greatly stimulated concern over diversion of plutonium.<sup>3</sup> These fears have also been fueled by recent spate of articles concerning possible insecure storage of nuclear material, difficulty of accounting for all material, etc. Articles frequently relate above to potential acquisition of explosive devices by criminal or terrorist elements. Moreover, French-Iranian deal for five power reactors has also complicated situation.<sup>4</sup>

4. In view of this climate, we would have preferred await calmer time for going ahead with Iran, but AEC deadline of June 30 for signing contracts made this course impossible. We are, therefore, proceeding with Iran on limited basis of two contracts. In addition to real supply crunch noted above, it was our judgment that to authorize eight contracts at this time would have overloaded Congressional circuit and jeopardized all our nuclear energy programs in ME. In effect we have been caught in double bind of supply limitations and political climate here. We shall move ahead with other contracts when this is feasible. It is possible some of current media and Congressional criticism and concerns will now focus on Iran. We shall do our best to forestall or minimize and are consulting carefully with key Congressional figures.

5. We have decided that Israeli and Egyptian agreements should contain certain bilateral controls in addition to regular IAEA safeguards. It has now been decided that Iranian agreement for cooperation should also contain these additional bilateral controls: (A) U.S. veto over availability, disposition, and storage of the plutonium generated by the reactors; (B) a commitment by each party to ensure that satisfactory physical security arrangements are developed to protect nuclear material from theft; and (C) an explicit confirmation by Iran that U.S. material will not be used for "peaceful" nuclear explosions. GOI has not repeat not been informed of our intention in this regard. How-

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<sup>3</sup> Telegram 5652 from Tehran, July 10, reported that the Iranian Government had discussed a nuclear-free-zone in the Middle East with the UN Secretary General, in response to the recent Indian nuclear blast and to U.S. agreements to help Egypt, Israel, and Iran develop nuclear power. (Ibid., D740183–1118)

<sup>4</sup> Telegram 5564 from Tehran, July 8, reported that under the French-Iranian nuclear agreement, France would provide five 1,000-megawatt nuclear power stations, training of Iranian personnel, and consultancy services. Enrichment services had not been negotiated but were also likely to be provided. (Ibid., D740180–0632)

ever, this info may break in press within next few days as result our consultations on Hill.

6. Additional bilateral controls should not, in our view, cause Iran any special problems since it has ratified NPT and test ban treaties and in current fuss over French newspaper misquotation Shah has reaffirmed Iranian policy not acquire nuclear weapons.<sup>5</sup>

Sisco

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<sup>5</sup> Telegram 135137 to Tehran, June 24, inquired about a *Washington Post* report of the Shah's interview with a French weekly in which he was asked whether Iran would some day have nuclear weapons. "He is quoted as replying 'without any doubt, and sooner than one would think.'" (Ibid., D740165–0890) The Embassy replied in telegram 5192 from Tehran, June 25, that a government spokesman had denied the report, but had quoted the Shah as stating that Iran might have to revise its policy on nuclear weapons if other nations developed them. (Ibid., D740166–0805)

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**64. Telegram From the Embassy in Iran to the Department of State and the Embassy in Bahrain<sup>1</sup>**

Tehran, July 11, 1974, 1215Z.

5694. Dept pass SecDef, MIDEASTFOR, CINCUSNAVEUR, USCINCEUR. Subject: Retaining MIDEASTFOR in Bahrain. Ref: State 146898.<sup>2</sup>

1. *Summary*: GOI is disposed to be helpful on MIDEASTFOR issue, but we do not know yet what form Iranian assistance will take. Action Requested: Appreciate advice on line GOI might take with GOB should Iranian MFA ask for our suggestions. *End summary*.

2. On July 10 Ambassador saw Court Minister Alam for discussion of future of MIDEASTFOR at Bahrain. Ambassador presented letter which drew on reftel and other sources to make following points:

(1) Apparent GOB inclination to reverse decision on termination of agreement, (2) GOB's interest in Iranian and Saudi views, (3) radical

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974—. Secret; Niact; Immediate; Exdis. Repeated to Cairo, Jidda, and Kuwait.

<sup>2</sup> Telegram 146898 to Tehran, July 8, informed the Embassy that Bahrain's authorities might reverse their decision to terminate the agreement allowing MIDEASTFOR to use Bahrain as its home port, and instructed the Embassy to inform Iran of the problems that would ensue if the force were abruptly withdrawn. (Ibid., RG 59, Central Foreign Policy Files, D740181–1082)



elements on Bahrain, (4) increasing Soviet activity in Gulf area, and (5) utility of MIDEASTFOR presence in connection with latter two points. Letter expressed hope GOI shared these US interests and asked for Iran's views. Copy of letter pouched NEA/IRN.

3. During ensuing conversation, Ambassador discussed at length implications of heightened Soviet activity in Persian Gulf and observed that we were aware that public GOI position on regional security might create problems for Iran should it wish to assist with MIDEASTFOR. Gist of Alam's reply was that, Iranian public position notwithstanding, it would be "terrible" for US Navy to leave Persian Gulf at time when Soviets were augmenting their presence and activities.

4. During evening same day, Alam called Ambassador to advise that Shah had read letter and directed that "necessary steps will be taken." Matter had been referred to Foreign Minister who would study "agreement" to ascertain whether there might be some clause that would "allow for deviation." We are not clear what this means. It may mean that Alam had reference to an agreement between Iran and Bahrain that was drawn up at time of Bahrain independence. It may also mean that MFA will be looking at homeporting agreement to determine whether there might be some loophole through which it might suggest GOB could slip to escape termination decision.

5. On July 11 DCM called Nadim at MFA who confirmed that Ministry was seized with problem and that Foreign Minister would be in touch with us on July 13.

6. Please let us know by Niact Immediate cable if Department or Manama have any suggestions of legal loopholes in the homeporting agreement or other points to be made with GOB which we might pass to Foreign Minister. It is possible that MFA will have its own ideas, but it may look to us for assistance in handling task imposed by Shah. Whether or not suggestions are legally sound would not be the main point. It would seem to us sufficient for Iran to have some substantive and reasonably convincing advice to pass to the GOB which would implicitly convey Iran's endorsement of retention of MIDEASTFOR at Bahrain.<sup>3</sup>

**Helms**

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<sup>3</sup> Telegram 5715 from Tehran, July 12, reported that Foreign Minister Khalatbari agreed to be helpful on MIDEASTFOR and would send an envoy to Bahrain. (Ibid., D740186–0890) In telegram 152059 to Tehran, July 14, the Department suggested that the Bahrainis be told that despite Iranian disapproval of foreign naval forces in the Gulf, Iran believed that the U.S. Navy should stay, given increased Soviet naval activity in the area. (Ibid., D740188–0543) According to telegram 7081 from Tehran, August 22, Iran's confidential mission to Bahrain urging that the force be allowed to remain played a part in Bahrain's favorable decision. (Ibid., D740231–1072) Documentation is scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

## 65. Editorial Note

On July 11, 1974, Secretary of the Treasury William Simon traveled to the Middle East and Europe to promote the reduction of oil prices. In a meeting prior to Simon's departure, July 9, President Nixon instructed him to impress upon Saudi King Faisal that "the oil prices can't go on. We want to explore what might be done, but they can do little if the Shah holds up the prices." Later he added, "This oil thing is very touchy—getting prices down must be done very privately. Do it quietly, explain our situation and attitudes. Tell them we need a more healthy situation." Simon asked if it were possible to put pressure on the Shah, noting that he would not be visiting Iran: "We thought we would let them sweat a bit while the others get the goodies." To Nixon's comment that, "He is our best friend," Simon replied, "He is the ringleader on oil—with Venezuela. Otherwise the prices would be down." (National Archives, Nixon Presidential Materials, NSC Files, Box 1029, Presidential/HAK Memcons, June 1, 1974–August 8, 1974 [2 of 3]) The memorandum of conversation is printed in full in *Foreign Relations, 1969–1976, Energy Crisis, 1969–1974, Document 360*.

On July 9, Under Secretary of the Treasury for Monetary Affairs Jack F. Bennett testified before the Subcommittee on International Finance of the House Banking and Currency Committee. According to telegram 150380 to Tehran and other capitals, July 11, the initial draft of Bennett's statement read: "In my view, any new cutbacks in oil production by any government at this time should clearly be regarded by the United States and by all other consuming countries, both more-developed and less-developed, as an unfriendly act." Although "counter-productive measure" was later substituted for "unfriendly act," the original phrasing was picked up by news media. (National Archives, RG 59, Central Foreign Policy Files, D740186–0555)

On July 10, in telegram 5662 from Tehran, the Embassy reported widespread criticism from the semi-official Iranian press of Simon's trip and Bennett's statement. Bennett was denounced for making colonial-style threats that ignored the skyrocketing prices of Western goods, and Simon for trying to rally oil consumers, who were former colonial powers, against their oil-producing former colonies, as if Western empires could be regained. (*Ibid.*, D740183–0569) In telegram 5716 from Tehran, July 12, the Embassy explained that this "emotional" Iranian press reaction was not unexpected, given divergent U.S.-Iranian views on oil prices and supply. Yet due to other common interests, Iranian officials had hitherto pursued overall close relations with the United States. The Embassy observed that, "as acrimonious public exchanges occur (Shultz, Simon and now Bennett), we believe they are becoming concerned, as are we, that overall fabric of our excel-

lent relationship may be damaged,” and urged that detailed U.S.-Iranian discussions be initiated to attempt to narrow the gap on oil. (Ibid., D740183–0569)

When Simon returned, he met with Nixon on July 30. He told the President that West German Chancellor Helmut Schmidt was worried about general international stability. “The oil prices are a problem everywhere. Faisal says he has gone as far as he can without our help. The Shah is threatening to cut production.” Nixon replied, “He is our good friend, but he is playing a hard game on oil.” Simon continued, “There is an internal fight in Saudi Arabia between those who want price cuts and those who wish to keep production up. Faisal really wants our help with the Shah. In discussions with other Ministers I said Saudi Arabia has probably 150 years of production left, whereas Iran has only 15 years. Maybe Iran will build its industry and then when the oil runs out, they can take you and get the oil back.” The President replied, “We have to see what we can do. I will have to meet and talk with the Shah.” Simon went on, “The Shah has us. No one will confront him. The producer nations are locking in the consumers and keeping them away from us. Schmidt said: ‘If the prices don’t move down, I have to move against the companies and deal with the producers myself.’ This issue will ultimately require strong action by the United States.” Nixon asked, “Like what? This should be developed. We need discussion with you, Ken, Henry and Brent. Keep it small.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 4) The memorandum of conversation is printed in full in *Foreign Relations, 1969–1976, Energy Crisis, 1969–1974, Document 361*.

In a meeting on August 2 with Secretary of State Kissinger, Secretary of Defense James Schlesinger observed: “Simon is talking about breaking the Shah. That’s crazy.” Kissinger agreed: “He is the one real element of stability.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 4) Meeting with Kissinger and other officials the following day, Simon asserted that the oil price situation was unmanageable and added: “If production doesn’t get cut, oil prices would drop by 30%. We would consider production cuts an unfriendly act, and for Iran, we could cut military supplies.” Kissinger demurred, pointing out that the Europeans could supply the Iranians with hardware, and suggested that the United States should disassociate Israel from the oil problem and organize oil consumers to confront producers. He noted that he was prepared to talk privately with the Shah. Chairman of the Federal Reserve Board Arthur Burns later weighed in: “We are heading toward economic disaster in the industrial world. Withholding arms from Iran won’t help. Getting the consumers together would work.” (National Archives, Nixon Presidential Materials, NSC Files, Box 1029, Presidential/HAK Memcons, 1 June 1974–8 Au-

gust 1974, 2 of 3) The memorandum of conversation is printed in full in *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 362.

On August 9, President Nixon resigned. Kissinger discussed energy with new President Gerald Ford on August 17, explaining that cooperation among consumers was critical: “Simon wants a confrontation with the Shah. He thinks the Saudis would reduce prices if the Shah would go along. I doubt the Saudis want to get out in front. Also the Saudis belong to the most feckless and gutless of the Arabs. They have maneuvered skillfully. I think they are trying to tell us—they said they would have an auction—it will never come off. They won’t tell us they can live with lower prices but they won’t fight for them. They would be jumped on by the radicals if they got in front. The Shah is a tough, mean guy. But he is our real friend. He is the only one who would stand up to the Soviet Union. We need him for balance against India. We can’t tackle him without breaking him. We can get to him by cutting military supplies, and the French would be delighted to replace them.” The President noted, “He didn’t join the embargo.” Kissinger replied, “Right. Simon agrees now, though. The strategy of tackling the Shah won’t work. We are now thinking of other ways.”

Kissinger continued by outlining plans to organize consumers and the bilateral commissions to tie the producers’ economies as closely to the United States as possible. “When the Shah sees us organizing the consumers—he will see, if we don’t do it in a way appearing threatening to him. I perhaps should visit him in October, in connection with the Soviet trip, and talk about bilateral arrangements.” The President asked if the Shah wanted higher prices, to which Kissinger responded, “Yes. He knows the profit is higher on petrochemicals and that the Saudis get more from the companies in everything. We won’t be in a position to confront the producers before the middle of 1975. We have got to get rolling.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 5) The memorandum of conversation is printed in full in *Foreign Relations*, 1969–1976, volume XXXVII, Energy Crisis, 1974–1980, Document 2.

**66. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, July 15, 1974, 2248Z.

152797. Subject: Oil Prices.

1. We believe that it is timely to renew dialogue with Iran on oil price issue and that the GOI decision to apply the two percent royalty increase provides an opportunity to do so.<sup>2</sup> We do not feel, however, that entering into debate on rationale Iran and other OPEC members use to justify price rise would be profitable. We are convinced that high cost of oil is responsible for considerably more than the one percent of the inflation rate which OPEC has averred; 2–3 percent is probably more accurate and thus represents significant portion of total inflation rate. Also, comparing rates of price increases of oil and selected commodities is statistically fallacious. More pertinent would be a comparison of complex price indices of total imports versus exports of oil producers. However, we recognize that at this time emphasis on such matters, in which each side has its set of statistics, would bog down dialogue. Therefore, we wish to turn discussion to broader economic and political consequences threatening economy of world and especially of West with whose prosperity and security Iran's fortunes so closely tied.

2. You are requested, therefore, to seek opportunity to discuss with appropriate senior official the oil-related economic problems now facing the industrialized world. If you talk with Amouzegar you could note our appreciation for his frank comments on Quito meeting.<sup>3</sup> The OECD forecasts following B/P deficits in 1974: France \$6.5 billion, Italy \$7.5 billion, Japan \$7.5 billion, UK \$11 billion, and predicts similar though smaller deficit rate in the first half of 1975. These deficits are largely a function of 1973 oil price rises. In most OECD countries growth rates in 1974 have dropped sharply with the OECD average growth rate in 1974 forecast at only 0.5 percent. In several cases 1974 growth rate likely to be zero or negative. Improvement is forecast for 1975 but growth rates will still be lower than normal. Again, oil prices, as well as uncertainties about oil supply, have been major contributors to this change in pattern.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Confidential; Exdis. Drafted by Morton, Naas, and Sober; cleared by Robert P. Gallagher (EUR/WE) and Katz (EB/ORF); and approved by Sisco.

<sup>2</sup> At OPEC's most recent meeting in Quito, Ecuador, June 15–17, members voted for a 2 percent increase in royalties.

<sup>3</sup> Reported in telegram 5509 from Tehran, July 5. (National Archives, RG 59, Central Foreign Policy Files, D740178–0563) Amouzegar was Iran's representative at the OPEC meeting.

3. A major effect of the large 1973 oil price rises has been and will continue to be a draining of capital resources from the industrialized countries of the non-Communist world and into the accounts of oil producers. Capital has thus been diverted from traditional investment channels; control over funds now resides in hands that in the main do not have the resources to use them fully. Some producers such as Iran are being helpful in recycling their oil incomes into the world economy, but vast amounts of capital formerly available for investment and growth throughout the world remain unavailable.

4. In some ways more worrisome than the economic problems growing out of oil price increases are the related political problems. Italy is a case in point, where economic problems pose the strongest danger to democratic government in some twenty years with all it could imply for NATO and the Common Market. The shock of the oil price rises and the attendant balance of payments deficit have been major contributors to the political deterioration in Italy.

5. We do not desire to enter into debate with Iran over the rights or wrongs of the oil price rises or over need for adjustments in world economic patterns to take better account of the needs of developing countries—whether oil producers or not. Fact remains, however, that world economy is interdependent. The Shah has himself referred to that interdependence and specifically to the vital importance to Iran of a stable Western Europe and to the inseparability of European regional security from that of Iran's own part of the world. We are sure that Iran understands that neither it nor its friends could profit from sustained economic or political weakening of Western countries—nor, for that matter, of the less developed countries.

6. We believe that ways must be found for the Western and world economies to recover from the blow of the 1973–4 price rises. We do not wish to argue that oil prices should not have risen at all in face of increases in prices of various other goods and commodities in international trade. However, enormous increase of oil prices in short time span based in large part in artificial market conditions connected with Arab oil embargo has created severe disequilibrium. Time is needed to make the fundamental adjustments necessary to deal with increased oil price levels. We believe that major oil producers have a responsibility to ensure adequate supplies for consumer requirements, at prices which bear reasonable relationship to economic market value and which at same time provide reasonable return to producers. The alternative can be disaster, which eventually could engulf both producers and consumers.

7. This is a matter which compels most careful attention by both Iran and United States. The increasing breadth and profoundness of our common interests and our collaboration, and especially warm rela-

tions between our countries, provide the framework for our frank consideration of this subject.

8. The US respects the motivation and intentions of the Iranian Govt. in the matter of oil pricing policy. We understand various of the factors which have entered into Iran's formulation of policy on this subject. We are also well aware of GOI's proposals and actions to help alleviate financial burden on some less-developed consumers through concessional funding. We remain, however, deeply concerned over the cumulative burden of price hikes over the past year and over the latest indication—through Iran's decision to implement the two percent royalty tax increase approved in Quito—that the burden is being increased rather than lightened.

9. We would welcome GOI comment and opportunity to discuss these matters in greater detail, in spirit of close friendship which marks our relations.

10. Ambassador Helms has been informed of above and he will draw upon this telegram as appropriate in his conversations with GOI after his return to Tehran.

Kissinger

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**67. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, July 18, 1974, 1335Z.

936. 1. Please pass the following message to Secretary Kissinger at convenience. *Begin text:*

Dear Henry,

I know that since you have assumed the office of Secretary of State, you have had to bear exceedingly heavy responsibilities and that you have been fully occupied with matters of urgent national interest. As you are well aware, you have my respect and profound admiration for the manner in which you have conducted your office and the almost unbelievable foreign policy successes you have achieved. I have become increasingly concerned, however, that much which has been ac-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II. Secret; Immediate.

complished may become undermined or tarnished if the State Department does not get a firmer grip on the direction and implementation of foreign policy in every field. My brief visit to Washington reenforced this concern and deepened my conviction that it is more than ever essential for you, Bob Ingersoll and Joe Sisco to get back into the Department of State control of foreign policy and the activities associated with it. You and I know that your predecessor was hesitant to exercise the full authority of his office. This is not a quality you lack.

If it strikes you, as it well may, that it is gratuitous and banal even to raise this subject, I must reply that it is inspired by the rather noticeable fact that almost any Cabinet officer in Washington who chooses can give speeches, press conferences, magazine interviews, or write letters with foreign affairs content without any apparent thought of consulting the State Department or any particularly profound consideration of what effect their actions might have on the workings of our foreign policy. It is after all the State Department which was established to preside over these very things on behalf of the President.

There are, I suspect, various examples of this lack of discipline and coordination. I would like to cite several of those with which I am most familiar. I realize that my examples are taken from this vantage point and therefore may seem parochial, but I have no doubt other posts could come up with similar items. The most recent episode is of course the Simon statement about the Shah being a “nut.”<sup>2</sup> In this Oriental country, the resentment over this crack coming on top of the “reckless and irresponsible” statement earlier in the year,<sup>3</sup> has an abiding effect regardless of how we attempt to explain away the aspersion. Interior Minister Jamshid Amouzegar, who never forgets that the U.S. educated him, pointed this out sharply to the DCM last evening. Put another way, the loose lip of a young Cabinet officer tends to undo in one comment most of the work the President and you have been performing to keep this country solidly with us. Coming on top of Treasury Under Secretary Bennett’s thinly veiled threat in Congress,<sup>4</sup> these two statements have succeeded in ensuring that reasoning with the Shah about

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<sup>2</sup> In backchannel message WH42453 to the Chargé in Tehran, July 13, Simon alerted the Embassy that an article was to appear in the *American Banker* attributing to Simon the quote that “the Shah is a nut.” (Ibid.) Telegram 152053 to Tehran, July 14, informed the Embassy that “Simon used common colloquialism intended solely and merely to indicate his belief that the Shah has very firm ideas on subject of oil policy and specifically on oil prices. Thus the expected quotation in the *American Banker* is out of context and entirely misleading.” (National Archives, RG 59, Central Foreign Policy Files, D740188–0551)

<sup>3</sup> See Document 57 and footnote 2 thereto.

<sup>4</sup> See Document 65.



crude oil prices has now even less chance than it had before. (cf. State 152797)<sup>5</sup>

Secretary Butz on his own recently wrote a letter to the Minister of Agriculture here.<sup>6</sup> It had not been cleared with the Department of State and will have the effect, unintentionally I am sure, of causing irritation. Butz is undoubtedly a fine Secretary of Agriculture, but might be inclined to get out of his depth in the foreign area. (cf. Fasto 103 of July 17, 1974)<sup>7</sup>

I shall not mention statements emanating from the Department of Defense in the foreign policy field since this would be to hit below the belt. Even the AEC, Sisco tells me, was about to release, while you were in Moscow, a damaging statement on uranium enrichment policy. Fortunately, he got word and moved in, but AEC had not even thought of consulting State.

Since the foregoing makes unpleasant reading and may seem somewhat shrill, I nevertheless leave it as it is because I want to be sure you realize that I am dead serious. You have every right, in fact duty, to assert the Department's prerogatives in the foreign policy field. The sooner Secretary Simon and other Cabinet officers clearly understand that they are the tail, not the dog, the better off our country will be.

If I am irritating you, please forget it. You have a good team at State now. Go out and recapture State's rightful role. Only an assertion of these rights in no uncertain terms will do it, if my observation of Washington over thirty years is valid.

Warm regards, and I am your friend, Dick.

2. Warm regards and thank you.

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<sup>5</sup> Document 66.

<sup>6</sup> Butz's letter has not been found. According to telegram 154948 to Tehran, July 17, the letter was sent on July 11 directly from Butz's office to Iranian Minister of Agriculture Rouhani. (National Archives, RG 59, Central Foreign Policy Files, D740192–0439)

<sup>7</sup> Not found.

68. **Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, July 24, 1974, 1120Z.

6142. Subject: Shah's Views on Oil Prices, Other Matters. Ref: A. State 152797, B. Jidda 4073.<sup>2</sup>

1. During audience with Shah on July 23 I made points contained Ref A. These were tied to upcoming visit Exxon Chairman Jamieson and BP Deputy Chairman Steel.

2. Shah's response, while showing understanding of world economic problems, was a forceful reiteration of the points he has made over recent months beginning with his December 23, 1973, press conference in which the last major oil price increase was announced.<sup>3</sup>

3. He is still exercised about oil company profits. In response to a remark that oil companies were clearing only 60 or 70 cents a barrel, the Shah said that two years ago they would have been delighted at 20 cents a barrel. He plans take this up with Jamieson and Steel next week. In addition he is still irritated over exorbitant taxes on petroleum products especially in Western Europe.

4. In more reflective comments he acknowledged that price of oil "should be negotiable." At the same time he insisted it must be pegged to something. Shah believes only rational guidepost to be cost of alternate sources of energy. He made usual points that petroleum is a wasting, non-renewable asset and that there was nothing precisely like it in the natural world.

5. Shah said that he had "no interest at this time in forcing up the price of oil" as long as Iran is able to maintain its purchasing power. From his point of view, this means that industrialized countries must do something about inflation.

6. In his December 23 press conference, the Shah had suggested that representatives of OECD sit down with the OPEC members to discuss the real value of oil. He emphasized that his suggestion was a

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740200–0445. Secret; Exdis. Repeated to Jidda, London, Kuwait, Caracas, and Jakarta.

<sup>2</sup> Telegram 152797 is Document 66. In telegram 4073 from Jidda, July 15, the Embassy reported that King Faisal was "surprised and pained" by the Iranian characterization of him as a tool of American imperialism. The King wondered why the United States did not put pressure on Iran and publicly support Saudi efforts to reduce oil prices. (National Archives, RG 59, Central Foreign Policy Files, D740188–1067)

<sup>3</sup> See footnote 2, Document 49. The Shah's December 23, 1973, press conference was reported in telegram 9031 from Tehran, December 23. (National Archives, RG 59, Central Foreign Policy Files, [no film number]) See also *Foreign Relations*, 1969–1976, volume XXXVI, Energy Crisis, 1969–1974, Document 271.

very serious one and that “I still mean it.” Nothing has come of it, he pointed out. Instead, the United States decided to get the OECD members together for a series of discussions with the aim of eventual negotiations with producers. After almost seven months, no one has come forward to talk reasonably either with him or any of the other OPEC members. The Shah hoped it was not already too late for meaningful talks to take place.

7. The Shah firmly reiterated his view that producers and consumers should sit down very soon to discuss the problems of both sides including especially the inflation problem. He said “I’ll be reasonable” as long as there is a real attempt to meet the needs of the producing countries.

8. In response to remarks about the need to recycle petro dollars, the Shah asserted that Iran is doing the best it can in providing roughly one billion dollars each for India, Egypt and France in addition to \$1.2 billion for UK, \$750 million for Pakistan and smaller amounts for Syria, Senegal and others. He is prepared to do more.

9. Concerning the effects of the Kuwait/Gulf and BP agreement, possible effects of the Aramco/Saudi Arabia negotiation, and the increase in royalty percentage by two percent, he recognized that the effects of these would redound to Iran’s benefit in the form of an increased “balancing margin,” but he added, “I did not do these things.”

10. The conclusions that one can draw from the Shah’s response are several:

A. He has no rpt no intention of taking any steps which would lead to a reduction in oil prices in advance of a consumer-producer dialogue.

B. Iran shares our concern over the international economic consequences of oil price increases and within the possibilities available to it, and without doing damage to Iran’s own plans and programs, is prepared to cooperate in measures to alleviate them.

C. Producer governments’ problems must be seriously and completely dealt with. (*Comment:* These problems presumably include transfer of technology, availability of industrial and other commodities, inflation, and concomitant question of maintenance of value of producing countries’ purchasing power.)

D. Iran has no rpt no preference as to the form of producer/consumer discussions except that they should begin very soon, perhaps initially with a small team on each side.

E. Concerning King Faisal’s strong suggestion that the US put pressure on Iran (Ref B), unless the form of pressure is clearly defined and the full weight not only of the United States but other consumer governments is behind it, we see no rpt no chance of any beneficial ef-

fects. We feel other avenues, including producer/consumer talks, should be exhausted before attempting to apply such pressure.

11. The tone of the audience during discussion on oil prices was friendly but firm. I would not wish to leave any doubt about the Shah's dedication to the proposition that oil prices must remain at least at their present level. His personal prestige and that of the Government of Iran are firmly engaged. Unless we are prepared to make clear our intention to forego close US relations with Iran in order to bring oil prices down without Iran's cooperation, we see no rpt no alternative but to pursue the route of multilateral negotiation between producers and consumers.

**Helms**

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**69. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, July 25, 1974, 0635Z.

6159. For Secretary from Ambassador. Subject: Audience with Shah. Ref: A. Tehran 6106, B. State 152797, C. Tehran 6142.<sup>2</sup>

1. During audience on July 23, Shah said to me at two different points: "Dr. Kissinger is really a wizard and has done such remarkable things about settling wars after they have been fought, why is it that he cannot be equally clever before these events occur and prevent them from happening?" After making this comment for the second time, I asked the Shah if he really wanted me to report this comment to you. With a broad grin on his face, he said, "Yes, I certainly do." I am not sure what triggered this genuine compliment, but it may have been a headline that morning in one of local English-language newspapers which read, "Kissinger does it again."

2. Although pleased that you will be coming to Iran later on, the Shah appears to be somewhat restive and in a bit of a quandary over his

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Secret; Immediate; Nodis; Cherokee.

<sup>2</sup> In telegram 6106 from Tehran, July 23, Helms informed Kissinger that the Shah was "obviously pleased" that Kissinger would be the U.S. co-chairman of the Commission on Cooperation with Iran. (Ibid., RG 59, Central Foreign Policy Files, P850017–2021) Telegram 152797 is Document 66. Telegram 6142 is Document 68.

relationships with the United States. It is not that anything has gone wrong officially. He recognizes that the President and you are strong friends and that his many requests in the civilian and military field are being handled about as promptly and sympathetically as is reasonable to expect. It is rather that items like the static from the United States over crude oil prices as manifested in Secretary Simon's comments, *The New York Times'* editorial criticizing Iran's purchase of 25 percent of Krupp,<sup>3</sup> the dragging on of the whole Watergate affair, seem to be causing uneasiness.

3. Secretary Simon's frequent utterances to the press about Iran and crude oil prices are causing the USG nothing but problems with the Shah and the Government of Iran. Whether Simon is right or wrong from the standpoint of the United States is not the question. The Iranians think he is wrong-headed as well as rude. I will not bore you with how I handled the "nut" statement with the Shah, but I did. Incidentally, Nick Thimmesch of *Newsday* who has crossed paths with Secretary Simon in this Gulf area, indicates that Simon is "hard on Israel" and is going to push for prompt pressure on the Israelis to make territorial concessions to the Arabs.

4. I squared off on the concern about *New York Times* editorial policy by pointing out that I had personally heard Presidents Kennedy, Johnson and Nixon inveigh against these editorial attitudes on many occasions. I also pointed out that even the Israeli Government has got furious from time to time, that the only suggestion I had was to stop reading the newspaper as President Eisenhower had done. To this the Shah replied, "My Foreign Office keeps sending me telegrams about these things. I cannot avoid reading them."

5. We had quite a discussion about crude oil prices. I pointed out that regardless of what one thought of the price hike on December 23 last, prices were still inching up as a result of the 2 percent royalty increase at Quito, Gulf's acceptance of the buy-back prices dictated by the Kuwait Government, and the likely outcome of Saudi Arabia's negotiations with Aramco. I weighed in about the balance of payments problem in the countries of Western Europe, discussed the effect on the international monetary system and the financial disequilibrium which was being caused in the world. The Shah listened and then quietly began to talk. He pointed out that he was not going to be cheated on the price of his oil, that its proper price should be keyed to the cost of alternative sources of energy, that it was a wasting commodity which would be finished within a predictable period of time, and that the derivatives from oil in terms of petrochemicals would bring returns at

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<sup>3</sup> The July 20 *New York Times* editorial described the Iranian investment of petrodollars in Krupp as a sign of the dangerous shift of power to the Middle East (p. 30).

least eight times as great as the sale of the crude oil itself. He insisted that he does not want to see the price go so high that it ruins the economies of industrialized countries and that he is fully prepared to be reasonable about these matters. He said flatly that if Iran could keep its current purchasing power, he did not want to see the price of crude oil augmented any further. He insisted, on the other hand, that if inflation were to continue rampant in the West, he had no choice but to protect himself and his country. He then turned to the handling of the crude oil price problem by the United States Government. He said that in his December 23 press conference he had proposed a dialogue between the OECD nations and the countries in OPEC. He said he realized that all members could hardly hold a constructive dialogue with each other but that it should be possible to have conversations involving a small number on each side. He went on to say that the USG started off on the wrong foot in that it has spent its time organizing the industrialized countries but has done nothing to open conversations with the oil producers. It came through loud and clear that until the industrialized countries are prepared to communicate with the oil producers about the latter's problems and grievances, nothing is going to be done about the current trends in oil prices, at least as far as the Shah is concerned. He is looking forward to talking on Monday with Jamieson of Exxon and Steel of BP about the profits of major oil companies and their future role.<sup>4</sup> He will want to talk to you when you visit here about this whole problem after which he hopes that he will be "clearer" in his mind as to what he feels should be done. His presentation was remarkably consistent with the text of his December 23 press conference which you may want to review at some juncture.

**Helms**

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<sup>4</sup> Jamieson briefed the Embassy on his and Steel's July 29 meeting with the Shah. (Telegram 6326 from Tehran, July 30; National Archives, RG 59, Central Foreign Policy Files, D740206-0884)

**70. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, July 25, 1974, 1250Z.

6200. Dept pass SecDef, USCINCEUR, JCS. For the Secretary from the Ambassador. Subject: Iranian Interest in Production of U.S. Defense Systems.

1. During my audience July 23, Shah expressed some restiveness at our failure to respond to his requests to manufacture sophisticated military hardware in Iran. As you are aware, at various times during the past year he has told us GOI wishes to produce, or at least assemble, here the complete range of surface to air and ground to air missiles, TOW, Bell's 215 and 216 advanced model helicopters and possibly the Northrup's F-17 light weight fighter.

2. Shah recognizes that Iran does not have the industrial base to begin sophisticated production without large-scale outside assistance. He seems prepared not only to purchase the equipment for production lines, but to hire the services of all necessary expatriate personnel. Shah recently told MAAG Chief that he values American technicians in Iran also for example their work methods set for Iranians. Shah has already taken definite steps in the electronics field with Hughes and Westinghouse and we understand that he has been talking to the Germans and possibly the French and British as well, regarding weapons systems they control. He is strongly interested in investing in R&D abroad with the general but not rigid expectation that production in Iran would follow.

3. We have received and commented on a draft memorandum of understanding establishing the framework for cooperation on R&D and production with Iran. The matter now rests in Washington where we understand it has been frozen in the hands of lawyers and others for some weeks. We have also tried to switch the GOI to less sophisticated systems without, however, succeeding in diverting the Shah's interest in the most advanced. As yet, to our knowledge, we have not dealt with the issue of releasing these systems.

4. Prestige and economic considerations (the Shah wants to be able to export some of the items he manufactures) are, of course, important to his thinking, but I believe this is basically a political question. As he said to me on July 23, he wants very much to be independent in security matters. He regularly cites the embargo on arms to Pakistan, the diffi-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974—. Secret; Exdis.

culty of supplying Israel last fall, and now may use Greece and Turkey as further examples of a dependence on foreign arms supply which conflicts with fundamental national interests. This is consistent with his overall philosophy of government and we may be sure that it is not a passing fancy. He has the requisite funds and feels that US-Iranian political relations should pose no impediment.

5. We owe him a clear statement of our thinking on these matters. I realize that very hard questions must be addressed, including Congressional concerns, but I think we should face up to the issues without further delay. If we must give him a negative on certain weapon systems, so be it. I would hope that we could find a sufficient number of sophisticated systems that could occupy his available managerial talent and relieve his political concerns. It will not be enough to try to persuade him to limit his manufacturing to those simple systems which are suitable for the present level of Iranian development. This will not accord with the Shah's high ambitions.

6. I would hope that a senior group of State and DOD officials could be drawn together to give these questions the study they deserve and to formulate recommendations for your early decisions.

**Helms**

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**71. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, August 1, 1974, 2144Z.

167741. Subject: U.S.–Iran Cooperation. For Ambassador from the Secretary.

1. I believe we should now take the next step in the establishment of the Commission on Cooperation with Iran. When you see the Shah you should draw on the following:

2. I would have liked to have been able to visit Tehran earlier to reach formal agreement on our joint cooperation initiative with Iran,<sup>2</sup> but to my deep regret other commitments have prevented me from

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. VI, January 1974–. Confidential; Exdis. Drafted by Naas; cleared by Sober, Atherton, and Sisco; and approved by Kissinger.

<sup>2</sup> See Document 58.



doing so either during my extended stay in the Middle East or in conjunction with the Presidential visits to the Middle East and Soviet Union. During those visits my colleagues and I were gratified and strengthened by your firm support and deep understanding of our objectives.

3. At present I am tentatively planning a visit to the area in early fall<sup>3</sup> and it might be possible, depending on your wishes, to convene the first meeting of the Commission on Cooperation at that time. Ambassador Helms will be kept fully informed of my travel plans as they develop.

4. In the months that have passed since a joint commission was first broached, I have come to believe that an economic commission does not adequately reflect the breadth of the relations between our two countries and that, if you approve, we should strive for a broader Commission on Cooperation which would encompass political, defense, cultural, scientific and technological cooperation as well. In this manner we would emphasize the importance each of us attaches to our ties. With this concept in mind, I have decided to act as U.S. co-chairman. We do not believe that absolute symmetry is required in national representation on the Commission and we would continue to welcome the Minister of Economy and Finance or any other official you choose to be Iranian co-chairman.

5. We wish to be responsive to any suggestions on the text of the proposed announcement (draft text below) and await Iranian views.

6. The timing and method of the public announcement will have to be worked on as well. One option would be to announce it at my first press conference following agreement on the text. A parallel announcement could be made in Tehran. Second, if the Shah considered it desirable and schedules permit, I would be pleased to invite Minister Ansary or whomever the Shah designates to the U.S. to discuss the initiative and sign the joint communiqué. Finally, we could await my visit to Tehran to announce the formation and first meeting of the Commission. I would appreciate the Shah's views on the above and any other suggestions on this matter.

7. *Draft text:*

"The United States and Iran have long enjoyed close and harmonious relations, based on mutual respect, close interests, common aspirations, and a desire for peace and stability throughout the world. In a series of recent discussions the two governments have decided that it would be timely and mutually advantageous to deepen and broaden further the bonds of friendship between the United States and Iran. To

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<sup>3</sup> Kissinger did not visit Tehran until November.

that end they have agreed to form a Joint Commission to coordinate and promote intensified cooperation.

The Joint Commission will be charged with developing mechanisms to expand the existing close and mutually beneficial ties between the United States and Iran in the political, economic, cultural, defense, scientific and technological fields. The Joint Commission's work will result in more regular exchanges of visits of Cabinet members and other high officials. It is also foreseen that study groups or committees will be formed under the commission to make recommendations on matters of mutual interest in the political, economic and defense fields. Through broad-ranging and frank discussions of such issues, the two governments expect to gain new knowledge and insights that will be of benefit to themselves and the world community.

A principal task of the Commission will be to identify programs that will contribute to the earliest possible achievement of Iran's dynamic programs of social and economic development. Great attention will be paid to closer collaboration in scientific and technological fields, with special emphasis to be given to agriculture, new sources of energy and communications. Special priority will be given to cooperation in the peaceful uses of nuclear energy, including nuclear power generation. Building on the existing strong ties between American and Iranian business firms and other institutions, the Commission will investigate means to encourage a freer flow of trade and investment, cooperation in finance and further development of joint business ventures. The Commission will also be charged with intensifying the exchange and use of information, ideas and expertise between American and Iranian individuals and institutions in all fields of activity.

The Joint Commission will be chaired jointly by the United States Secretary of State and the Iranian (—). The Commission's first meeting will take place in Tehran later in the year. In the meantime, discussions and planning for cooperation in specific fields will proceed and working groups will be formed to implement agreed projects.

The Governments of the United States and Iran are confident that as these and other programs of cooperation are carried forward, their historic friendship will assume new dimensions."

**Kissinger**

**72. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, August 9, 1974, 1723Z.

174062. Subject: Presidential Message.

1. Please deliver immediately following message from the President to the Shah. If he is not available, deliver to highest official available.

2. *Begin text:*

Your Imperial Majesty:

As I take up the office of President of the United States,<sup>2</sup> I am as one of my first acts writing you to assure you and other friends of my firm dedication to the policies the United States has been pursuing in its international relations.

The foreign policy of the United States is soundly based on the support of both our major political parties. The principle of continuity in foreign policy has deep roots in the traditions, institutions, and national interests of America. No principle will be more central to the conduct of the affairs of the United States under my administration. I want to pledge to you that I am fully committed, with the full support and participation of Secretary Kissinger, to honoring all international obligations undertaken by the United States in its relations with your country and with all other nations of the world.

In particular, I want you to know of the extremely high importance I attach to maintaining, expanding and strengthening the very close ties and cooperation between our own two countries. The special relationship between us has been built up through many trials over more than a generation. It has not only stood the test of time but has grown stronger from year to year. I shall do everything in my power to foster the friendship between Iran and the United States.

I also want you to know of my strong commitment to pursue our diplomatic strategy toward a just and durable peace in the Middle East with the same vigor that has characterized our efforts over the past nine months. The achievement of peace in the Middle East will remain one of the highest foreign policy objectives of the United States.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P850017–2033. Secret; Flash; Nodis.

<sup>2</sup> Ford assumed the Presidency on August 9 following Nixon's resignation.

Your Imperial Majesty, I look forward to an early occasion to see you in person and to renew our friendship.<sup>3</sup>

Sincerely yours,

Gerald R. Ford

*End message.*

Kissinger

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<sup>3</sup> In telegram 175284 to Tehran, August 10, Kissinger sent a message for the Shah expressing his own commitment to strengthening U.S.-Iranian ties. (National Archives, RG 59, Central Foreign Policy Files, P850017–2031)

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### 73. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, August 16, 1974, 0815Z.

6860. For Secretary from Ambassador. Subj: Amb Zahedi's Report on His Talk With Secretary. Ref: Tehran 6741, State 175395, Tehran 6159, Tehran 6142, Tehran 6326.<sup>2</sup>

1. [*less than 1 line not declassified*] saw Shah August 15 on certain intelligence matters. Shah, who had returned from holiday at Caspian resort Tuesday,<sup>3</sup> asked him to give me a message. Text of [*less than 1 line not declassified*] report to me reads as follows: *Begin text*:

A. At the beginning of my audience last night, the Shah said he wanted me to take a message to you. I took notes as closely as I could while he was speaking. The Shah's statement was as follows:

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE–NODIS (1). Secret; Priority; Nodis.

<sup>2</sup> In telegram 6741 from Tehran, August 13, Helms congratulated Kissinger for his handling of the oil question during his August 10 meeting with Zahedi, which was “precisely right in setting the stage for a constructive discussion with the Shah in contrast to the negative tone that has been expressed by other would-be spokesmen for the USG.” (Ibid.) Telegram 175395 to Tehran, August 11, reported that Kissinger informed Zahedi that “he did not believe way to get lower oil prices is to concentrate on Iran, but there should be a discussion.” (Ibid., Box 13, Iran—State Department Telegrams, From SECSTATE–NODIS (1)) Telegram 6159 is Document 69. Telegram 6142 is Document 68. For telegram 6326, see footnote 4, Document 69.

<sup>3</sup> August 13.

B. Please tell Ambassador Helms that Ambassador Zahedi has reported that Secretary Kissinger told him that he was encouraged by what the Shah had said about oil to Ambassador Helms and that Kissinger would be taking it up with the Shah when he comes to Tehran.<sup>4</sup>

C. H.I.M.'s oil policy remains what he told Jamieson and Steel it was. He is sure Ambassador Helms would not have reported it otherwise after their talk about oil since Ambassador Helms knows what the Shah's policy is and it has not changed.

D. H.I.M. told Jamieson: A) Either we fix a price for oil as we have done and H.I.M. will defend this price in OPEC and will maintain that it will not go up except to compensate for possible future inflation of the prices of things OPEC countries have to buy and provided you do not give a higher return to the Saudis or Kuwaitis; or, B) if the oil companies do give more to the Saudis or Kuwaitis or other Arabs (as a result of 60–40 or 100 percent participation) the Shah will tell OPEC: All right, let's stop at that price, and any further increase will be pegged to prices of other major commodities and goods.

E. We will defend this in OPEC, but we will not accept Secretary Simons' principle that you will force prices down. You are talking about taxing the oil companies to take away their windfall profits. Thus, your government would be getting a bigger profit from the price increase. Yet you want us to get less! Why should your government get more and we less? We told Exxon we think 50 cents a barrel profit is enough for the oil companies.

F. If the oil companies give more to the Arabs through things like 100 percent participation and the result is that the Arabs get something like \$11 a barrel, then we are going to get it too. We told the same thing to Jamieson and Steel.

G. Your government and Jamieson and Steel now know that the Saudis fooled you. They did not bring down the price of oil. And if they had gone ahead with the auction, the other OPEC members would have countered it.

H. What raised oil prices above the \$7 per barrel which I (the Shah) had originally suggested, was the oil companies' agreements with the Arabs. Iran sells 80 percent of its oil production to the consortium. Under the 60–40 participation the Arabs get 60 percent of their oil

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<sup>4</sup> According to a memorandum of conversation, August 10, Kissinger, responding to Zahedi's query, said that he did not think Helms had made much progress in his July 23 conversation with the Shah on oil but that "I believe the approach of asking Iran head-on to reduce oil prices is not the way. We need a comprehensive discussion of all factors." (National Archives, RG 59, Central Foreign Policy Files, P820097–1323) Regarding Helms's July 23 meeting with the Shah, see Documents 68–70.

which the companies pay more for when they buy it back. We will not accept less than the Arabs get.

I. H.I.M. said he will be reasonable and helpful along the lines he explained to Jamieson and Steel, but he will not respond to pressure. *End of text.*

2. *Comment:* Clearly issue here is exactly what Ambassador Zahedi reported to the Shah. (*[less than 1 line not declassified]*, who is not oil expert, would not want his text taken as sophisticated recital of all the Shah had to say on oil prices, but it is close enough to provide backdrop.)

**Helms**

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**74. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, August 20, 1974, 1147Z.

6989. Subj: Iranian Concerns About Interrelationship of US Arms and Oil Policies.

1. I have received the following letter from Iranian Foreign Minister Khalatbary today (August 20).

“You may recall that during our meeting this morning, I referred to what appears to be a sort of concerted campaign through the publication of articles and even editorials about the national armaments programme of Iran on the one hand, and statements made by Senators and Congressmen on the same subject on the other hand, thereby entertaining doubt about the real armaments requirements of Iran or the wisdom of the U.S. Government in cooperating with Iran to fulfill its national armaments programme. I would like once again to express my hope that this campaign is not aimed at bringing pressure to bear on the Imperial Government of Iran regarding the price of oil.

You kindly expressed the view that it was not, in your opinion, a concerted campaign but rather the personal views of Senators, Congressmen and journalists which have no connection with the official views and policies of the U.S. Government, and you undertook to inquire about this and inform me subsequently.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740229–0193. Confidential.

Now, my purpose in writing this letter to Your Excellency is to draw your attention once more to what seems to be a concerted campaign on the part of certain circles to bring pressure to bear on Iran (in this case, through the national armaments programme) with respect to the price of oil.

I would appreciate it if you could kindly inform me of the results of your inquiry at the earliest possible date. With warmest personal regards, A.A. Khalatbary, Minister for Foreign Affairs”

2. *Comment:* I did not as Khalatbary suggests undertake to inquire about whether there was a concerted program to question Iran’s armaments policy as a means of bringing pressure on the GOI to lower oil prices because: (A) Khalatbary seemed satisfied with my response at the time and (B) the issue did not seem to loom large in our conversation as a whole. I speculate therefore that Khalatbary reported our conversation to the Shah who instructed him to press me further.

I think it would be sufficient to reply to Khalatbary that I have reported this matter to the Department and that it has confirmed that my earlier response to him is entirely accurate. Should the Department have any additional thoughts, however, I would be glad to pass them on.<sup>2</sup>

**Helms**

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<sup>2</sup> The Department approved Helms’s response to Khalatbary in telegram 184045 to Tehran, August 22. (Ibid., D740231–0726)

75. **Memorandum of Conversation**<sup>1</sup>

Washington, August 21, 1974, 12:35–12:40 p.m.

PARTICIPANTS

Ardeshir Zahedi, Ambassador of Iran

President Gerald Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National  
Security Affairs

[The press was admitted briefly]

President Ford: The orchids you sent to Mrs. Ford are beautiful.

Zahedi: They express our feelings.

[The press is ushered out]

Zahedi: I want to express our sadness about Rodger Davies.<sup>2</sup> We share your sorrow and we are all shocked. I have lost a personal friend with whom I worked closely during the Mideast hostilities.

President Ford: I participated with the Secretary in the ceremony. It is a tragedy, with a daughter 20 and a son 16.

Kissinger: He had worked so hard here, we sent him to Cyprus for a rest really.

President Ford: Is it nice?

Kissinger: Beautiful. Many Foreign Service Officers buy land there.

Zahedi: It is really so sad. I sent my whole embassy to the airport. I, of course, couldn't go.

I was very pleased with the Rockefeller appointment.<sup>3</sup> We have very close contacts with the Rockefellers. David is setting up a bank

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 5. Secret; Sensitive. All brackets are in the original. The meeting was held in the Oval Office. In a briefing memorandum to the President, August 17, Acting Executive Secretary of the Department of State Gammon noted that the means by which the United States could pressure Iran for lower oil prices were limited, and a sharp political confrontation would be inconsistent with broader U.S. policy objectives. (Ibid., Presidential Country Files for Middle East and South Asia, Box 12, Iran (1)) In another briefing memorandum for Ford, August 21, Kissinger emphasized that while U.S. and Iranian ideas about fair oil prices differed, Iran "has been friendly and cooperative with regard to most major US objectives, and we are seeking to handle our differences on oil prices in an amicable manner—as an issue to be resolved among allies." (Ibid.)

<sup>2</sup> Rodger Davies, Ambassador to Cyprus, was assassinated by Greek-Cypriot gunmen on August 19.

<sup>3</sup> Nelson Rockefeller was appointed Vice President in August and confirmed by Congress on December 19.



branch in Tehran. Our Minister of Finance and Minister of Economics—he wears two hats—is coming here to set up a joint commission.

I am glad Secretary Kissinger is heading your side rather than Simon. [laughter]

Kissinger: They don't care about me—just so long as it is not Simon.

Zahedi: At the first one he talked to me but said he couldn't wait and went ahead and announced.

President Ford: The reaction to Rockefeller has been great. Even Arthur Goldberg was not vitriolic. I know him well and we complement each other. He really seemed gung ho.

Kissinger: I never saw him so happy. He just wants to serve.

President Ford: He called Betty and me late last night. Happy<sup>4</sup> is coming here Thursday. Betty is having her for lunch and we'll have him for that dinner I told you about.

Zahedi: I have been talking to our Ambassadors in Paris and London, and also His Majesty's feeling was excellent. He knows Iran and we have close relationship with Iran [*him?*].

President Ford: I hope in the not too distant future I can get to meet the Shah. I like to deal on a personal basis.

Zahedi: I agree. Anything I can do to assist in that. The U.S. holds the highest place in his heart. It has always been so. The U.S. has helped when we needed it, without strings. We remember those days—as I will say in an address at Kent University. So many forget all that the U.S. has done.

President: That is very useful. In Middle America they don't always appreciate foreign aid, and it helps to hear foreigners express this.

Zahedi: I will do it. I will also be in Southern California where I am going to present a check for \$1 million.

Kissinger: The Shah has always been our best friend. Last fall several countries permitted Soviet overflights. One Israeli Minister did and he was promptly so tried [*fired?*].

Zahedi: The oil problem—there is one. I want to do what I can. Jamieson had a good talk and lunch with the Shah.<sup>5</sup> A minor problem is participation with Saudi Arabia. 60/40 and what they pay for participation. It should be at 93% of the posted price—\$10 something. Some

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<sup>4</sup> Rockefeller was married to Margaretta "Happy" Rockefeller.

<sup>5</sup> See footnote 4, Document 70, and Document 73.

countries want to do away with the posted price. We get \$7 for our particular oil and Saudi Arabia and others get \$10.

Kissinger: The basic point is that these prices are complicated. The Shah's view is he gets 15% less on buy-back oil than the Saudis. Iran is tied to the price of oil, but Saudi Arabia can maneuver around and vary the participation.

Zahedi: I will work on it and we want to help and we understand the problem.

President: Please express to the Shah my deep appreciation for this attitude.

**76. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, September 4, 1974, 0730Z.

974. Please pass the following message to Dr. Kissinger from me.  
*Begin text:*

(1) I have the impression that our close military relationship with Iran could be heading for difficult times if we do not take corrective measures. Over the past twenty-four months we have sold Iran practically all the weapons and technical assistance it has sought and our overall position here has been strengthened as a consequence. Increasingly during the past year, however, Iranian requests have met with prolonged delay or awkward handling which the GOI does not understand.<sup>2</sup> Believing us more efficient than we know we are, Iranians are quick to perceive a conspiracy. They can understand and adjust to a quick and reasonable negative. But they tend to see delay as a form of pressure designed to extract some benefit or perhaps indicative of a

<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa. Secret; Immediate; Exclusively Eyes Only.

<sup>2</sup> MAAG Chief Major General Brett met with Schlesinger and others on August 14 in Schlesinger's office. According to a memorandum of conversation, "A major problem General Brett has is a lack of answers on requests he forwards to OSD for information or decisions. He stated he badly needed answers even if the answer is 'no.' As examples he cited, helicopter co-production and Maverick, TOW, and Dragon missiles." Schlesinger "agreed that we should do something in the co-production area with Iran—start it small and be sure it is digestible." (Washington National Records Center, OASD/ISA Files: FRC 330-77-0054, Box 16, Iran 320.2-333, 1974)

wavering in our attitude towards Iran vis-à-vis its neighbors. It does no good to reject or deride this attitude. As you know, despite Western appearances, we are dealing here with Oriental thought-processes.

(2) The chief issue is the Iranian aspiration to co-produce significant military hardware. I outlined this problem for you in Tehran 6200.<sup>3</sup> Almost a year has passed since the GOI began seriously to approach us on various weapons systems. For example, Maverick, TOW and Sidewinder missiles were raised in October 1973, Stinger, Hamlet and Land Sparrow in November, the inertial navigation system in April, and helicopters in June. I am aware that during the past month we have begun to move toward decisions and that improvements are being made in the State–DOD structure for dealing with co-production requests. We know there are very hard questions to be resolved. But the Iranians are not involved in our internal debates. From us they hear only silence.<sup>4</sup> I believe we have an urgent need to tell the GOI what systems we can approve now for co-production. If we can come forward with two or three important items, the pressure should be substantially reduced.<sup>5</sup>

(3) Another example of an unnecessary problem was our handling of the GOI request to lease 20 helicopters to replace transport helicopters destined for Pakistan (Tehran 7382).<sup>6</sup> Thirty days passed from the initial urgent GOI request until the negative State/DOD reply. The delay was bad enough, but the reply was unfortunately not convincing. In saying the U.S. Army could not spare 15–20 planes for six months, we were providing a weak, technical answer to an essentially political question. We are not reluctant to tell the Shah “no” when that is re-

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<sup>3</sup> Document 70.

<sup>4</sup> In telegram 7607 from Tehran, September 10, the Embassy conveyed the Shah’s disappointment at the lack of response to his requests for co-production of missiles and reported on his discussions with German weapons manufacturers. (National Archives, RG 59, Central Foreign Policy Files, D740251–1013) Kissinger handwrote a note to Eagleburger on a September 11 memorandum that he wanted the matter “moved to a decision rapidly.” (Library of Congress, Manuscript Division, Kissinger Papers, Iran, Chronological File, 4 May–23 September 1974)

<sup>5</sup> In backchannel message WH42604 to Tehran, September 21, Scowcroft advised Helms that co-production of the Bell helicopter had been approved and that other outstanding Iranian requests were being studied in the Inter-Agency Security Assistance Program Review Committee. To consider the political and economic implications of co-production, he added, the Under Secretaries Committee “is being tasked to prepare a study of this subject on an urgent basis for the consideration of the President.” (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa)

<sup>6</sup> Telegram 7382 from Tehran, September 2, warned of the likely Iranian reaction to the rejection of the Iranian request for a 6-month lease of 20 UH–1H helicopters to replace those Iran had lent to Pakistan to assist its efforts against militants in Baluchistan. The Embassy requested reconsideration of the negative response. (National Archives, RG 59, Central Foreign Policy Files, D740243–0032) In a memorandum to the Secretary of the Army, September 16, Schlesinger agreed to the lease. (Washington National Records Center, OASD Files: FRC 330–78–0011, Box 64, Iran 452, 1974)

quired. All we ask is that the decision-making process be accelerated and that it encompass full consideration of the merits of a significant Iranian request, including an evaluation of the consequences of a negative.

(4) A final example relates to our commercial opportunities here. The GOI asked through military channels to reach U.S. firms interested in building housing for 3,000 foreign families coming to work on defense projects. We realize that DOD is not in the housing business and that the military channel was not the normal procedure. But when the U.S. housing industry is in bad health, Washington agencies should be able to cooperate and get us a show of interest fairly quickly. We have now gone many days without response and we may lose the business to a third country. My point is that we need to gear up our Washington agencies to deal with the special opportunities afforded us in Iran. Our incipient program of cooperation with Iran will not be worth much if we continue on a business as usual basis.

(5) I believe I can understand the perspective of some action officers in State and DOD. The USG has been extremely forthcoming with Iran and we do not know the full implications of many of our decisions. This year we have already sold \$3.6 billion in defense systems. Our sales since 1965 total over \$8 billion. There are billions more in the offing. We can anticipate a community of some 12,000 private defense contractors, plus their families, with unknowable effects on our ties with this country. Iran appears to demand a great deal and usually urgently. The USG seems rarely to say no. Naturally thoughtful officers in Washington wonder where we are going and if we should not establish some limits on what we will do for Iran. They are concerned about Congressional reaction. I agree that the entire subject of our defense relationship with Iran needs careful study and we are glad to participate in a broad examination if this is undertaken. But we have an important position here and great opportunities are before us now which we must not allow to suffer. And we must not permit our policy towards this country to be made through ad hoc decisions based on a vague malaise and purely technical considerations.

(6) I am communicating with you in your capacity as Assistant to the President for National Security Affairs, because I feel that these matters are moving towards a time when the President should be briefed and become involved. Also, it seems that to deal effectively with these problems it will be necessary to coordinate and guide the work of both DOD and State, assuring that officers are targeted on the same USG goal. Handled properly, the issues I have discussed could become strong positive factors working for us. But if we permit drift, we may anticipate real problems and lost opportunities in Iran.

(7) Warm regards. *End of text.*

**77. Memorandum From Secretary of State Kissinger to President Ford<sup>1</sup>**

Washington, September 6, 1974.

**SUBJECT**

Ambassador Helms Assessment of Situation in Near East and South Asia

When Richard Helms took up his post as our Ambassador to Iran, we asked him to keep watch over developments in the entire region stretching from Iraq, Iran, the Arabian Peninsula, Persian Gulf, and Afghanistan, to India and Pakistan. Ambassador Helms has just sent me his annual assessment of developments and prospects in this region. (A reference map of the region is at Tab A.)<sup>2</sup>

1. *The Price of Oil*: With oil selling at four times its October 1973 price, stabilizing the price of oil must be ranked as one of the critical problems in the area. As Helms notes, the future of oil prices depends on the success of our endeavors for a peaceful Arab-Israeli settlement.

We must stabilize the price of oil, Helms is convinced. We cannot accomplish this by using the Saudis, he believes, because they probably cannot be so used; we cannot achieve it by threatening the Shah, because this only makes him less willing to compromise.<sup>3</sup> Helms, who knows the Shah well, believes that the Shah is “not an unreasonable man” and can see himself the calamitous consequences of an economic collapse in the West.

We should therefore try to make clear to the Shah the ruinous effects of the excessive oil prices. We should also try, Helms suggests, to get the Chinese to make the same point to the Shah. This is not a far-fetched suggestion. The Chinese (who are good friends of the Shah)

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 12, Iran (1). Secret; Sensitive. Sent for information. A stamped notation on the memorandum indicates the President saw it. Ford also initialed the memorandum.

<sup>2</sup> Tab A is not attached. Helms’s assessment is scheduled for publication in *Foreign Relations*, 1969–1976, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

<sup>3</sup> Telegram 7860 from Tehran, September 18, transmitted a message to Kissinger from former Ambassador and Harvard economics professor John Kenneth Galbraith during his visit to Tehran as an official government guest: “For Christ’s sake or appropriate Islamic equivalent do urge local officialdom to cease talk about oil blackmail, boycotts and like. The talk obviously accomplishes nothing, excites serious anger and could easily complicate your tasks here and with Arabs too including oil price problem itself.” (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological File, 4 May–23 September, 1974)

should hardly welcome an economic collapse of Western Europe which would free Soviet forces for redeployment in China's direction.

2. *India–Pakistan–Iran Relations*: Apart from the Indian nuclear test, most developments in the region in the past year have been favorable to our interests and the interests of our friends. The Shah has contributed to this dramatically through a series of initiatives offering, out of his new oil revenues, financial assistance to friends and adversaries in the region. He has given support to our friends in Pakistan. He has offered massive development aid to Afghanistan, which many had feared would be a Soviet client state. He has offered oil on generous credit terms to India, to mitigate their rivalry and wean India away from the Soviet Union. India has refused Soviet requests for naval base rights in Indian ports. This Iranian leverage over India and Afghanistan is a major reassurance to Pakistan and a major influence for stability.

3. *The Indian Nuclear Test*: The Indian nuclear explosion, of course, raises the danger of proliferation in this region. Nothing we can say will effectively calm the Pakistanis on this subject, and they are likely to turn more than ever to the Chinese for insurance, protection, and help. The Indian explosion has made Mrs. Gandhi overwhelmingly popular in India, however, and considerably strengthened her government.

4. *The New U.S. Rapprochement with Egypt and Syria*: This development, which Helms calls "extraordinary," is another major event in the last year. He calls it a revolution in geopolitical relationships, giving us and our friends a chance to align Egypt firmly on our side for the first time since 1955.

5. *Persian Gulf and Indian Ocean*: Our friends in the Arabian Peninsula and Persian Gulf are on the whole stronger and better able to defend themselves than they were a year ago. At our urging, they are co-operating better together. The Shah's military aid has enabled the Sultan of Oman to contain the rebellion in Dhofar which is supported by Soviet-leaning South Yemen. The Chinese seem to be living up to their promises to us and to the Shah to cease direct aid to the Dhofar rebels. The Shah secretly urged the sheikh of Bahrain to permit the U.S. to continue our naval presence (MIDEASTFOR) at Bahrain, as a counter to increasing Soviet naval activity.<sup>4</sup> Long-standing boundary quarrels have been settled, meanwhile, between Iran and two Gulf states and between Saudi Arabia and Abu Dhabi.

The Soviet Union has increased its naval activity in the Indian Ocean. The Soviets signed a Treaty of Friendship with Somalia, providing Somalia with tanks and MIG-21 aircraft in exchange for a

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<sup>4</sup> See Document 64.

10,000-foot airstrip which can be used by Soviet aircraft for reconnaissance over the Indian Ocean.

6. *Iraq*: Iraq has continued its disruptive activity against North Yemen, Iran, and the Persian Gulf states, and has continued to receive massive quantities of sophisticated Soviet military equipment. In the face of this, the Shah has expanded his own military forces and given considerable aid to the Kurdish rebellion inside Iraq. An offensive against the Kurds since May 1974 has tied down at least two-thirds of the Iraqi army and neutralized Iraq's potential for adventures in the Persian Gulf and for disrupting the Arab-Israeli negotiation. Iraq has recently hinted to other countries that it would like to end its isolation and its dependence on the Soviet Union; the Shah and Ambassador Helms feel the pressure should be kept on Iraq, to bring a more responsible government into power.

7. *China's Role*: The Chinese have spoken often to President Nixon, myself, and Ambassador Bruce of the pivotal importance of this region, which they speak of as the "southern axis" or "southern rim of Asia." The Chinese see their interest as identical to ours and Iran's: to counter Soviet penetration. China has supported the Shah, ended its own support of extremist movements, and encouraged us in support of conservative elements throughout the area who oppose Soviet expansion.

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## 78. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, September 10, 1974, 1326Z.

7611. Refs: (A) Tehran 6142; (B) Tehran 6326; (C) Tehran 6860; (D) Tehran 7361; (E) Jidda 5138; (F) Tehran 7511.<sup>2</sup> Subj: Shah on Crude Oil Prices.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740251–0731. Secret; Priority; Exdis. Repeated to Jidda, Abu Dhabi, Brussels, Caracas, Dhahran, Jakarta, Kuwait, London, USOECD Paris, Tokyo, Tripoli, Vienna, and Algiers.

<sup>2</sup> Tehran 6142 is Document 68. Tehran 6860 is Document 73. For telegram 6326, see footnote 4, Document 69. For telegram 7361, see footnote 5 below. In telegram 5138 from Jidda, September 5, the Embassy explained Algerian President Boumediene's involvement in composing Saudi and Iranian differences on the question of oil prices. (National Archives, RG 59, Central Foreign Policy Files, D740246–0010) Telegram 7511 from Tehran, September 8, described the meeting that the Shah set up between a visiting U.S. Congressional delegation and Iran's leading oil expert and Iran's representative to OPEC, Amouzegar. (Ibid., D740249–0789)

1. In extended remarks about crude oil prices at audience on September 10, the Shah indicated that Iran's approach at the upcoming OPEC meeting will be to press for a single price on crude oil attached to some yet-to-be determined index to compensate for "inflation and deflation."<sup>3</sup> The Shah is also going to push for a one and one-half percent rise in royalties which will make for an increase of about ten cents a barrel. He points out that this move is designed to cut into oil company profits, not to raise the price as such per barrel of oil. (Royalties are divided 50–50 between the companies and the country involved.) Simultaneously the Shah will ask the other members of OPEC to bring royalties world-wide in line with those which Venezuela now charges. To summarize, the Shah through Minister Amouzegar will go at the OPEC session for a one-price system hitched to inflation and deflation plus a new royalties approach designed to reduce oil company profits and stabilize the overall royalty procedures.<sup>4</sup>

2. In discussing crude oil pricing, it was clear that the Shah has his dander up about being accused of leading the rise in crude oil prices. He pointed out that he is currently playing a distinctly moderating role. He said that it is public knowledge that Venezuela, Algeria and others want an increase in process [*prices*] at the September 12 OPEC meeting, citing specifically Venezuela's demand for a price upping of fourteen percent. (At this juncture the Shah expostulated "Venezuela is in the vanguard of countries charging high prices for oil, yet I have never seen a single word of criticism about Venezuela in any American newspaper despite the fact that your country imports much oil from there.") The Shah went on to comment that he does not want to see an additional rise in oil prices but that he does feel it absolutely essential that he be able to protect his purchasing power. In the event of "deflation," he is prepared to see the oil price go down. At this point he stated that the GOI is now paying \$840 a ton for sugar, \$225 a ton for wheat, \$1,060 for vegetable oil, all imports of Iran. He indicated that in one year's time the price charged by the USG for the jeep used to haul the TOW missile has gone up one-hundred percent. "The inflation in your country is not caused essentially by oil prices. They contribute only one and one-half

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<sup>3</sup> The Embassy commented on the "single-price" proposal in telegram 8767 from Tehran, October 16: "Single-price idea seems to us preferable to existing chaos in pricing arrangements, but proposed level is very high. We feel consumer/producer talks must be held before this idea catches on and hardens at so high a level." The Embassy noted that the proposed level would bring Iran additional revenue of \$2.2 billion. (*Ibid.*, D740294–0844)

<sup>4</sup> At the OPEC meeting held in Vienna September 12–13, the members rejected a price increase but agreed to a tax increase of almost 5 percent on oil exports by foreign-owned companies, effectively raising the price of oil. Amouzegar stated that the tax increase would offset the rise in prices caused by inflation in the industrialized world. Saudi Arabia refused to apply the tax increase. (*The New York Times*, September 14, 1974)



percent to your inflation. The remainder is due to other factors, the prices of other commodities, and your system of doing business,” the Shah commented. “If you want to bring the price of oil down, why don’t you reduce ‘the monstrous profits of the oil companies’? Also, why don’t you and particularly the Western European countries take the domestic taxes off oil and its derivatives? That would be doing something to reduce the price rather than asking us to give up what is our rightful due. The day has passed when the big industrial countries can get away with political and economic pressure tactics. I have no idea what the meeting of Western Finance Ministers in Paris last weekend was cooking up, but I want you to know that the Shah will not yield to foreign pressure on oil prices.”<sup>5</sup>

3. It was clear that the Shah does not buy the contention that current oil prices are going to bankrupt the industrialized world. He points out, also, that the LDC’s which the United States seems so concerned about are obliged to pay the same high prices for American wheat, other agricultural commodities, and manufactured goods which Iran does.

4. Referring to his meeting with Prince Saud on September 2,<sup>6</sup> the Shah indicated that he went over with him in great detail the various points made in reftels, plus a step-by-step explanation of what will happen to oil prices if Saudi Arabia insists on 100 percent participation in Aramco at current buy-back rates. The Shah promoted as wisest for Saudi Arabia an arrangement with Aramco similar to the one Iran made with the consortium. As a result of this presentation, it is the Shah’s impression that Prince Saud is beginning to understand the viewpoint of other members in OPEC. He claims that Prince Saud assured the Algerians that Saudi Arabia would not try to lower oil prices. This information, he intimated, was conveyed to him on September 9 when he was visited by Algerian Minister of Industry and Energy, Belaid Abdessalem, who was pushing the Shah for a price increase at the OPEC meeting. (In order that there be no ambiguity, the Shah is not entirely clear as to exactly how Prince Saud reacted to his presentation and to his arguments.)

## Helms

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<sup>5</sup> Finance Ministers and central bank governors of the United States, United Kingdom, France, Germany, Japan, and Italy met near Paris the weekend of September 7–8. According to *The New York Times*, one of the topics of discussion was the coordination of policies to “recycle” petrodollars through investment in Western economies. (September 8, 1974, p. 53)

<sup>6</sup> Telegram 7361 from Tehran, September 2, reported that Prince Saud was visiting Tehran to reassure the Shah that Saudi Arabia would not proceed with its plan to auction its oil in order to bring down prices, but would maintain solidarity with its OPEC partners. (National Archives, RG 59, Central Foreign Policy Files, D740243–0008)

**79. Memorandum From Richard T. Kennedy of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, September 19, 1974.

SUBJECT

Co-production in Iran

In the past year the Shah of Iran has proposed a number of co-production agreements with US defense manufacturers. These range from weapons which are ending their production run in this country to fighter aircraft and helos which are not yet out of the R and D stage. The Shah also wants to launch Iran into the production of US designed missiles of a wide variety. USG finance is not an issue in Iran and the number and magnitude of co-production agreements could rapidly grow to be very large.

Before proceeding too far on this road it is important to have the bureaucracy study several policy questions broadly and generally:

—How will US defense production and technology be affected by the proposed agreements for off-shore manufacturing? (DOD has worries on this score.)

—What are the commercial advantages and disadvantages? What will the impact be on US employment, balance of payments, and competitiveness of American products? (Commerce and Labor have expressed fears on this subject.)

—Would our interests in Iran and the Gulf be better served by traditional sales arrangements rather than co-production? (State should consider how far we want to go.)

—If we should agree to co-production, what controls, if any, shall we place on supply to third countries? What precedents and what regulations apply?

We have an existing set of guidelines on co-production (Tab C).<sup>2</sup> They put responsibility for clearing specific projects in the hands of the Under Secretary of State for Security Assistance, Mr. Maw. These guidelines, however, do not anticipate issues of the scale involved in the projects proposed now by Iran. I believe the Under Secretaries' Committee—expanded to include the Departments of Commerce and

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 72, Under Secretaries Committee, NSC-U/SM 152, Co-Production in Iran (2). Secret. Sent for action. Oakley concurred in the memorandum. Kissinger wrote on the memorandum: "Give a longer deadline."

<sup>2</sup> Not found attached.

Labor—should carry out a study of the long range implications of co-production in Iran. (A draft memo is attached at Tab A.)<sup>3</sup> As a general study of co-production, the USC work should be useful in replying to Israeli as well as Iranian requests. Obviously, any reply we make to Iran will have an effect on our handling of requests by Israel for co-production and vice-versa.

At the same time, it may be desirable to ask Mr. Maw to accelerate the review of a few, limited projects which you could discuss with the Shah on your proposed trip to Iran. Ambassador Helms has expressed his concern about the growing impatience of the Shah with our failure to reply to co-production requests which are, in some cases, a year old.<sup>4</sup> USG approval would mean only that US manufacturers might be able to open detailed contract discussions with the GOI on terms of producing such well-established weapons as:

- missiles (Maverick, Sidwinder, Hawk, TOW, Redeye),
- helos (Bell 215's and 216's), and
- an inertial guidance system for aircraft.

Agreement on a few limited projects would strengthen the efforts we will want to make within our Joint Commission for broad cooperation in defense, oil pricing and political activity. Agreement will also focus Iranians on the technical and other difficulties of this sort of production.

The memo at Tab A requests the USC to do a study on the long-range military and economic implications of co-production in Iran. At Tab B is a memo requesting Mr. Maw to accelerate review of specific projects which might be approved in anticipation of your visit to Iran.<sup>5</sup>

#### *Recommendation*

That you sign the memoranda at Tabs A and B.

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<sup>3</sup> Attached but not printed. The signed memorandum from Kissinger to the Chairman of the NSC Under Secretaries Committee is dated October 8. The study was to be completed for the President's review by October 18.

<sup>4</sup> See Document 70.

<sup>5</sup> Attached but not printed. The signed memorandum from Kissinger to the Deputy Secretary of State containing instructions for Maw is dated October 8.

# 80. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, September 26, 1974, 1350Z.

8163. Subj: Iran and the Price of Oil. Ref: Tehran 7511.<sup>2</sup>

1. *Summary*: Visiting Deputy Assistant Secretary Sober met with Iranian representative to OPEC Amouzegar September 25 to exchange views on oil prices, the rationale for higher or lower prices and the impact of such prices on the world economy. Sober emphasized our deep concern over the serious consequences current oil prices may have for the world economy as was reflected in the President's and Secretary Kissinger's recent public statements.<sup>3</sup> Amouzegar reviewed familiar Iranian arguments justifying current prices. Exchange was spirited but cordial with both sides welcoming the opportunity to review the subject in depth. There was a consensus that the differing points of view needed further examination and discussion in a spirit seeking a solution which reflected cooperation and not confrontation. *End Summary*.

2. Visiting Deputy Assistant Secretary Sober accompanied by DCM called on Iranian representative to OPEC Jamshid Amouzegar morning of September 25 for an exchange of views on current oil prices and their effect on the world's economic order. The lively but cordial meeting lasted for an hour and 45 minutes during which both sides reviewed in some depth common as well as differing views on current oil prices, the justification or lack thereof for their present level and the impact they are having on the world's economy. At the outset Amouzegar expressed dismay and unhappiness at what he termed the President's and Secretary Kissinger's "attacks" on oil producers. He suggested the possibility that neither were particularly well informed on the intricacies or ramifications of oil prices as they now stand. In this connec-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE-EXDIS (1). Secret; Priority; Exdis. Repeated to Abu Dhabi, Algiers, Beirut, Brussels, Caracas, Dhahran, Jidda, Manama, Kuwait, London, USOECD Paris, Tokyo, Tripoli, and Vienna.

<sup>2</sup> See footnote 2, Document 78.

<sup>3</sup> On September 23, Ford gave a speech before the ninth World Energy Conference in Detroit, Michigan, entitled "A Global Approach to the Energy Problem," in which he stated that "exorbitant [oil] prices can only distort the world economy, run the risk of a worldwide depression, and threaten the breakdown of world order and world safety." For the text of speech, see *Public Papers: Ford, 1974*, pages 175–183. On the same day, Kissinger addressed the UN General Assembly, asserting that "the world cannot sustain even the present level of prices, much less continuing increases." The text of his speech is in the Department of State *Bulletin*, October 14, 1974, pp. 498–504.

tion he suggested that Walter Levy,<sup>4</sup> whom he described as a biased and unreliable commentator, seemed to carry much more weight in USG councils than eminent economists such as Milton Friedman. He cited a recent *Manchester Guardian* interview with Friedman in which Friedman absolved oil prices and oil producing countries of responsibility for the world's current economic woes. Why, he asked rhetorically, doesn't the US listen to qualified economists instead of biased partisans? Warming to the subject Amouzegar reviewed at length Iran's defense of current oil prices and several times expressed his indignation that oil producers should be made the scapegoat for the world's economic ills. The main points of Amouzegar's exposition were as follows:

3. Oil prices were set at \$7.50 per barrel in December 1973 as the amount most closely approximating the cost of producing energy from an alternative source. In taking this approach Iran was thinking not only of its own future and future generations of Iranians but also the future of the world. It is well known, he said, that the world's supply of oil is probably good for not much more than fifty years at present and projected rates of consumption. Iran felt, therefore, that it was imperative that the world be forced to develop alternative sources of energy before it was too late. It must also be forced to conserve this non-renewable asset through a variety of measures including improved efficiency of automobile engines (which Amouzegar claimed Detroit automotive experts told him was a relatively simple design and manufacturing process) and the elimination of wasteful energy consumption such as the 24-hour lighting and temperature control of Manhattan skyscrapers. The search for alternative energy sources would never occur, he said, until there was an economic incentive and as long [garble—as cheap?] oil was available. Pegging oil prices close to the cost of alternative energy provided such an incentive. He went on to claim that he had received a number of messages from United States coal mining concerns and officials of coal mining states urging that Iran not retreat from its position on oil prices since it was now economically feasible to revive this sagging sector of the US economy. High prices also had the virtue of encouraging conservation and the search for higher efficiency in energy uses. In his view, Amouzegar said, the West should be grateful to oil producers for awakening the world to the perils of mindlessly pursuing its wasteful and irresponsible practices of the past.

4. Amouzegar then turned to the question of who was responsible for current oil prices. He said that last December the Shah had determined that \$7.50 a barrel, being the lower end of the cost of alternative

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<sup>4</sup> An oil analyst and consultant to the Department of State.

sources of energy, was the fairest and most equitable price. Iran was not in favor of a higher price but that more recent increases had been brought about by Saudi Arabia and American oil companies through a change in the participation formula from 25–75 to 60–40. This had upped the price of Saudi oil to \$9.50 a barrel (*sic*) and of course all other oil producers automatically adjusted their own oil prices accordingly. It was not Iran but Saudi Arabia that was responsible for this increase and Amouzegar said he could not understand why the West was not able to absorb this simple fact. Just watch, he said, the price of oil will go up to \$11.50 a barrel when the Saudis get 100 percent participation from Aramco. In reviewing this matter Amouzegar had harsh words for Sheikh Yamani labeling him “the most two-faced man he had ever known” and “a liar.”

5. Referring to the OPEC meeting in Vienna, Amouzegar said that he had fought a lonely battle with OPEC hawks such as Algeria, Iraq, and Kuwait to hold prices at their present level. He had taken this line on the explicit instructions of the Shah who was as sensitive as anyone to the destructive effects of fanning world inflationary fires. Nevertheless, Iran had gone along with the argument that oil producers were justified in increasing their oil revenues to offset the continued escalation of prices of Western goods by increasing taxes and royalties. Amouzegar claimed this increase could easily be absorbed by oil companies who were now making profits at the rate of about 93 cents a barrel in contrast to a profit of about 45 cents a year ago. It was not the oil producers’ responsibility to control what part of this increase, if any, oil companies passed on to consumers.

6. Amouzegar said that as he saw it, the question of oil prices had three components of concern: First, was the effect higher oil prices may have on the rate of growth of industrial countries. Japan, he said, has enjoyed a rate of growth of about 12 percent for the last ten years. Why should it not be willing to settle for a rate of growth of six percent over the next five years. Given its current per capita base, a growth rate of even six percent would mean \$180 per capita. Iran with a per capita base of \$500 even growing at a rate of 12 percent would only be increasing per capita by \$60. His point he said was simply to suggest that instead of the gap between the poor and richer nations growing, it is in the interest of the world community as a whole that they be moderated even though it is acknowledged that they would probably never converge. In conclusion, he did not find the argument about the negative influence of oil prices on growth rates in the Western world particularly cogent. As to the effect of oil prices on inflation, he cited (as he had done with Congressman Wyatt reftel) an OECD study which purported to demonstrate that higher oil prices had only contributed .04 percent to inflation in the US, 2 percent to inflation in Japan (which was

the highest in all Western countries surveyed) and 1.5 percent as an overall average. Since inflation in all of these countries was running somewhere between 12 and 20 percent, oil could hardly be considered the main or even a significant culprit. Furthermore, he said, if Western countries were truly concerned about the inflationary impact of oil prices, they could easily be moderated by reducing government taxes on oil. This seemed contrary to the West's inclination, however; he cited the recent increase of French taxes on petroleum and discussions in the American press of the desirability of increased USG taxes. Why, he asked rhetorically and with some feeling, should oil producers be asked to lower oil prices while consumer countries increase their take through increased taxes?

8. The third element of the oil price issue concerned balance of payments difficulties. Seizing on Germany as an example of the West's unfair or uninformed attitude on this aspect of the problem, Amouzegar said that Germany had about \$32 billion in reserves before higher oil prices went into effect. Nevertheless, in spite of higher prices, it is expected that it would have about \$40 billion in reserves by the end of this year. This is an amount about equal to the reserves all OPEC countries are expected to have at the end of this year. Why should OPEC countries therefore be identified as responsible for balance of payments stresses and strains? Why is it that only the reserves of oil producers are considered destabilizing and not those in the West? For that matter, he said, the balance of payments statements of various Western Finance Ministers were not entirely candid. A great deal of money has already been recycled from oil producers to oil consumers but does not appear in balance of payments ledgers because it is short-term and could conceivably be withdrawn. He acknowledged that this is not an unreasonable accounting procedure but also suggested it was misleading because the money had nowhere else to go. Insofar as Iran was concerned, Amouzegar said that it felt it had already done its share in addressing international balance of payments difficulties. It had given loans to Great Britain and France of over a billion dollars each, it had given loans to some 15 other countries or was providing oil on concessionary terms. It was a net lender to the IBRD and it had given the IMF \$700 million. Further, it was spending virtually all of its enhanced income on Western goods (whose prices were rocketing outrageously) to modernize Iran's economy and improve its people's meager standard of living.

9. In conclusion Amouzegar said that the only real issue as far as oil prices were concerned was the balance of payments issue. Iran was doing its part but the West would have to convince Arab oil producers to recycle their oil revenues into long-term productive investments. Since they had no place else to put their money, this should not be such

a difficult task. They should also be required, he insisted, to be more forthcoming in contributing to international monetary stability through loans or grants to less fortunate countries.

10. Sober responded by urging that Amouzegar avoid drawing conclusions about the President and Secretary Kissinger's statements from sensational headlines and out of context excerpts appearing in the local and international press. He asked whether Amouzegar had the full text of both speeches. Amouzegar admitted that he did not. Sober said that we thought careful reading of both messages would show quite clearly that we sought cooperation and not confrontation over a problem that concerns us deeply. He went on to note that these concerns are both economic and political because a faltering world economic system would obviously have grave political consequences as well. In our view there is an interlocking responsibility of oil consumers and producers to maintain a stable world economy. Our efforts up to now have been to develop cooperation among consumers, to promote conservation and to develop means to facilitate the wise and constructive investment of huge resources oil-producing countries are now acquiring. These efforts are in no way designed to form a bloc with which to confront oil producers. We recognize that producers have a right to a fair return for their oil but we also believe that current prices are too high and threaten the well-being of all nations including oil producers. Because we believe security of markets and investments for all depends upon a vigorous and healthy world economy, we will continue to try and work for a reasonable level of oil prices and secure oil supply which are responsive to the needs of both consumers and producers.

11. Amouzegar responded that he had difficulty interpreting the President's and Secretary Kissinger's remarks as anything other than an attack but said that he was glad to hear that this was not their intention and that the US sought cooperation and not confrontation. He said the one part of President Ford's speech that he did like was when he spoke of Project Interdependence rather than "Independence." Iran welcomes this proposal and was eager to become a part of it. In this connection he said the Shah has called repeatedly for a dialogue between consumers and producers and yet so far there has been nothing but silence from the consumers.

12. Sober then pressed on the possibility of rolling back prices to perhaps the \$7.50 per barrel level, noting that this was the price that Iran had originally argued was fair and justified. Amouzegar said that it was too late because in the meantime world inflation had further eroded Iran's purchasing power and also because any country that retreated would face severe political problems and criticism from its own population as well as from the Communist world. He did not



think this would be in the Free World's interest since this is precisely the kind of issue Communists would exploit to the hilt. Nevertheless, Amouzegar went on, if an impartial objective group of qualified experts can demonstrate that the cost of alternative sources of energy is less than current oil prices, then Iran would probably give the most serious consideration to a price roll back.

13. Commenting on the points that Amouzegar made in justifying oil prices, Sober said that while he had seen different figures with respect to inflation and balance of payments questions, he nevertheless would accept that the GOI had some valid points to make. The real question, however, was whether even conceding that current prices might be justified, conceding that they would provide desirable incentives to further the search for alternative sources of energy and conservation and all of the rest, if the net effect was still to create such disorder in the world economy that it collapsed, then what had anyone to gain?

14. Amouzegar expressed skepticism that such dire consequences are imminent or that they may be the consequence of high oil prices. Nevertheless, he said, all of these problems should be thrashed out in a meeting between the producers and the consumers and the sooner the better. Sober agreed.

15. *Comment:* While the conversation was frank and Amouzegar expressed himself with obvious deep feeling and some heat on occasion, it remained cordial throughout. While he vigorously defended Iran's position as was expected, he was obviously sincere in urging that a meaningful dialogue begin and even implied that there was give in the Iranian position if a persuasive objective case could be made for lowering oil prices, i.e. as noted in para 12. We think that the exchange was both worthwhile and timely. It should be noted, however, that the Shah is in New Zealand and we have no reading on his reaction to the President's and Secretary's recent speeches.

**Helms**

81. **Memorandum From Acting Director of Central Intelligence Walters to the President's Assistant for National Security Affairs (Kissinger)**<sup>1</sup>

Washington, October 7, 1974.

SUBJECT

Message from [less than 1 line not declassified] Recounting His Audience with the Shah of Iran

[less than 1 line not declassified] has sent me the following message for you concerning his audience with the Shah of Iran on 5 October 1974:

"My audience with the Shah was devoted to a general political roundup with flashes of his toughness on oil, impatience with the United States' permissive society, and drive to strengthen Iran in order to play a major role in the Mid East. [1½ lines not declassified]

"The Shah is very annoyed at the press campaign pointing to oil prices as the cause of inflation. He cited his figures that oil prices are only .4 per cent of U.S. and 1.5 per cent of world inflation; said rises were decided by 'our' oil companies; and attacked high food prices. He said uranium, energy and food should be handled by government level negotiations, not free markets. He was not mollified by my explanation that the main public confrontation with inflation is at the food counter and gas pump, which creates major political pressures whatever the fine distinctions of the economic experts. He was moved by the prospect of recession in developed countries (Italy, Japan, Denmark) opening the possibility of the revival of radicalism and exploitation by Soviet and Chinese Communists only to the extent of indicating he will probably extend funds to Italy if there is some hope they will not go to a Communist government. He noted he is already helping LDC's.

"Regarding the Mid East, the Shah will prosecute aid to the Kurds to weaken Iraqi radicals, will send a full brigade to Oman, supported U.S. plans for Diego Garcia during his recent trip to South and South-east Asia, etc., still concerned at possible Soviet pressure through Afghanistan and Pakistan towards Indian Ocean outlet, and solid on the

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 6 October–30 December 1974. Secret; [handling restriction not declassified]. The memorandum is also included in a packet of briefing materials for Kissinger's November 1–3 trip to Iran. (Ibid., Box CL-153, Iran Trips, 1–3 November 1974)

necessity that the Soviets not have a veto on oil movements from the Persian Gulf. He has no objections but also no hope in recent Egyptian probes toward Saddam Tikriti in Iraq. He has the same attitude towards letting Egypt and Saudis try to buy off South Yemen. He also has no objection to additional Arab token forces in Oman, but has little faith in efficacy of this (will increase Iranians to brigade) or Saudi thoughts regarding taking over a corridor between Oman and Aden. His longer term suspicion is whether Egyptians will try to overthrow Saudi regime, take control of its resources and thus seek to reestablish Egyptian leadership of Arab World (implicit in this discussion was idea that Iran would not permit Gulf oil to be put in such hazard). He believes the Saudi regime is very weak and not going anywhere despite its resources. He will visit Cairo in January.

*"[2½ lines not declassified]* The Shah agreed that the hard rock character and narrow self-interest of the Soviet Party bureaucracy is only slightly affected by somewhat more modern technical and managerial class. He also agreed about Soviet imperial pretensions, especially in Mid East, and had praise for you and the U.S. alert last October as necessary to contain them. He will visit Moscow in November at their request. He accepted the unlikelihood of a Sino-Soviet reconciliation and the likelihood that the China succession to Mao and Chou will be collegial and more internally than externally oriented. He accepted the possible wild card that severe Western economic crisis resulting in revival of radicalism could rekindle revolutionary proselytizing on a substantial scale by both Soviets and Chinese.

"Regarding the U.S., he is thoroughly irritated at 'permissive and irresponsible' press and political debate and sharply critical of the exposure of CIA and other national secrets. He stated he would speak as he wished, but wondered if others would refuse frank exchanges if they taped and leaked so frequently. (My efforts to reassure him somewhat met no favor.) He is still anxious to profit from U.S. expertise in meeting Iranian needs for training manpower to handle technology by importing and looking ahead to producing. He sees this for approximately five years, following which, my impression is, he looks forward to an end of dependence on the U.S. in these field and playing a major role on his own.

*"[1 paragraph (18 lines) not declassified]*

*"In summary,* thanks to the Shah himself and oil resources, Iran is well on its way to playing a leading role in the Mid East with a modernized elite, large economic resources and strong forces. Succession is always a question in an authoritarian regime, even a benevolent one, but each year reinforces the social and political momentum in the direction the Shah has set. I believe the U.S. can keep close to and benefit from this process and even influence Iran toward a positive regional

and world role rather than a bid for area hegemony or other adventurism.”

**Vernon A. Walters**  
*Lieutenant General, USA*

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**82. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, October 12, 1974, 1933Z.

226031. Subject: Co-production in Iran. Ref: Tehran 8591.<sup>2</sup>

1. Following message sent to Secretary in Cairo Oct. 10:

“In order to respond to the Shah’s strong interests in co-production, the Under Secretaries Committee is now under way on the study that you directed of the long-range implications of large-scale co-production of defense articles in Iran.<sup>3</sup> Due to the complexity of the issue, this study will not be completed until November 15. Nevertheless, several of the Shah’s co-production requests have already been acted upon. With regard to the Bell 215 utility helicopter, it was the consensus of the Interagency SAPRC Working Group that this request should be moved forward and approval was given to go ahead with its co-production.<sup>4</sup> The decision was made not to approve co-production of the Bell 216 attack helicopter concurrent with the Bell 215, primarily because it would overtax the already shallow pool of Iran’s skilled/technical manpower. Authorization has been given to Hughes Aircraft to enter into discussions with the GOI regarding the Maverick missile in order to determine which components might be co-produced. However, final approval of any co-production proposal would be subject to interagency concurrence. The TOW and Dragon anti-tank missile co-production requests are still being reviewed by Defense prior to any interagency action. The question of a lightweight fighter is several months away, awaiting the U.S. selection between Northrup and General Dynamics fly-off competition.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740291–1002. Secret; Limdis. Drafted by Naas; cleared by Edward S. Walker, Jr. (NEA), Judd L. Kessler (T), D. Farnum (PM), and David C. Gompert (S); and approved by Naas.

<sup>2</sup> Not found.

<sup>3</sup> See Document 79.

<sup>4</sup> See footnote 5, Document 76.

We are informed that the GOI (General Toufanian) has expressed pleasure regarding the USG approval of the Bell 215 co-production request and according to the MAAG Chief in Tehran (MG Brett) for the time being pressure is off the co-production issue. With regard to your forthcoming trip to Iran, it is the consensus here that it would be sufficient to address co-production with the Shah only in the most general way while stressing our interest in the Bell 215 developments, and informing the Shah that we are in the process of a comprehensive study of his other co-production requests which we shall be able to act on in the near future.

As a matter of special concern, we suggest that selected Congressmen and Senators should be briefed on the Iranian co-production issue. We propose that the Department undertake a series of briefings for these persons to be certain that they are kept abreast of our program as it develops. I would like your approval to initiate these briefings.”

2. Secretary replied to above that he wants to see the preliminary results of the co-production study before he leaves on his Moscow–South Asia trip.<sup>5</sup> Also, Secretary replied that he wants no repeat no briefings on the subject until he returns.

3. Above messages sent you for information only and no repeat no action should be taken.

4. October 10 letter from Naas to Ambassador, together with above messages, will bring you up to date.<sup>6</sup>

**Ingersoll**

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<sup>5</sup> Kissinger traveled to Moscow and South Asia October 23–November 1. On October 22, Maw sent Kissinger a preliminary report on the study of co-production in Iran. While noting that the program would arouse public and Congressional objections for losing U.S. jobs, relinquishing U.S. technology, and intensifying the Mideast arms race, Maw indicated that the program should proceed in order to maintain U.S. interests and influence on Iranian policy. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–153, Iran Trips, 1–3 November 1974) Maw’s memorandum is also included in a packet of briefing materials for Kissinger’s November 1–3 visit to Iran. (Ibid.)

<sup>6</sup> Not found.

83. **Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, October 19, 1974.

Nuclear Energy Agreement for Cooperation with Iran

We are committed to transmit to the GOI a draft Agreement for Cooperation on the Peaceful Uses of Atomic Energy but have delayed transmittal to avoid linking the agreement with Iran in any way, including timing, with the Egypt/Israel agreements. We have signed two fuels contracts with Iran and six more provisional contracts are expected to be signed before your arrival in Tehran.

The Shah plans a major program in nuclear energy to replace oil as an energy source and looks upon our assistance as a significant element in the new Joint Commission on Cooperation.

The AEC is currently preparing a draft agreement which will include the same stringent bilateral provisions as in the Egyptian/Israeli drafts in order to meet the clear Congressional concern over the spread of nuclear energy technology. We have no information on the Shah's attitude toward additional provisions but, as a party to the NPT, he may protest being treated similarly to the non-signatories, Egypt and Israel.<sup>2</sup> If a protest is made, we could at that time perhaps negotiate a slightly softer agreement. On the other hand, there is an outside possibility that the Shah would see his acceptance of tough controls as enhancing his leadership in the effort to keep nuclear weapons out of the Middle East (e.g., Iran's Middle East NFZ proposal).<sup>3</sup>

The question on which we need your decision now is the timing of sending the agreement to the GOI.

*Option 1.* Send it now, before you arrive.

*Advantages:* We would have met our commitment and removed any suspicion on the Shah's part that we are holding back for political

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran Trips, 1-3 November 1974. Confidential. Drafted by Naas and cleared by Sober. Sent through Sisco.

<sup>2</sup> Helms predicted such a protest in telegram 9039 from Tehran, October 25. He asked whether the Department had a contingency plan in case the conditions alienated the Shah and led him to "pass up UEA proposal for alternative investment in some foreign uranium enrichment plant" and "award the bulk of nuclear power plant contracts to non-American firms." (National Archives, RG 59, Central Foreign Policy Files, D740305-0137) Uranium Enrichment Associates was an American company set up by Bechtel.

<sup>3</sup> See footnote 3, Document 63.

reasons. The draft would be firm evidence of our intent to cooperate fully with him in the nuclear energy field.

*Disadvantages:* The Shah may not welcome the stringent bilateral provisions and may take up some of your limited time together on this subject. The Egypt/Israel agreements are still to be negotiated and the outcome is not clear. If negotiations collapse, the Shah could also reject our proposal on the grounds that he was not going to be the first to accept additional constraints.

*Option 2.* Delay sending the draft until we are further along in negotiations with Egypt/Israel.

*Advantages:* We will have had more time to let Congress adjust to the idea of nuclear cooperation with Middle East countries. If Egypt/Israel accept the stringent provisions, we will be in a somewhat better position to negotiate with the Shah. Also, the Shah will not be able to argue with you over the terms of the agreement.

*Disadvantages:* The Shah may be annoyed over the delay in submitting a draft to him and may be concerned that we are reconsidering cooperation with him in this field.

*Recommendation:*

That we send the draft agreement to Iran as soon as it has been completed by the AEC.<sup>4</sup>

### **Attachment**

#### **Nuclear Energy Agreement for Cooperation with Iran**

##### *Standard Agreement tightened to degree of Egypt/Israel Proposals*

###### *Basic:*

- a. Standard IAEA safeguards
- b. U.S. agreement on reprocessing of U.S.-origin SNM.

###### *Additions:*

1. Agreed physical security measures for U.S.-supplied SNM and equipment and SNM produced through the use thereof.

2. Specific prohibition on use of U.S.-origin SNM and equipment for PNE's.<sup>5</sup>

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<sup>4</sup> There is no indication of Kissinger's decision on the recommendation. He wrote at the top of the first page: "I'll discuss with Shah," but there is no indication that he did so.

<sup>5</sup> The tightened Egypt/Israel proposals presently include a binding PNE prohibition in the accompanying diplomatic notes which are integral parts of the agreements. [Footnote in the original.]

3.a. U.S. veto over where U.S.-origin SNM and any foreign-origin SNM used, processed or produced in U.S. reactors and other designated materials and equipment would be fabricated and stored.

b. through accompanying note require reprocessing of any SNM and storage and fabrication of U.S.- or foreign-origin plutonium be performed outside Iran and require that any U.S. plutonium for fueling be transferred to Iran only in fully fabricated form.

4. 20 percent U.S. fuel enrichment limitation.

5. U.S. option to buy any produced SNM regardless of origin.

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#### 84. Editorial Note

A series of articles critical of Iran appeared in major news magazines in October 1974. An article entitled "The Master Builder of Iran," in the October 14 international edition of *Newsweek* reads: "So far, Washington has willingly sold the Shah everything he has sought in the hope that he will play the role of the loyal satrap and protect U.S. interests in the gulf. But some Washington observers are worried that the open-ended arms sales may backfire on the U.S. 'The Shah's power is growing enormously,' said one. 'We may be creating a Frankenstein monster.'" The October edition of *Fortune* featured an article by Louis Kraar, "The Shah Drives to Build a New Persian Empire," which viewed the Shah's ambitions for his country with great skepticism. "The Shah frequently speaks as though his goals were accomplished facts," Kraar observed. Yet, he added, "some of his subjects believe the Shah has what a high-ranking American official calls 'a reality problem,'" in overlooking continuing Iranian poverty, corruption, and industrial inefficiency.

The Iranian Government-dominated press expressed outrage. According to telegram 8769 from Tehran, October 16, the semi-official *Kayhan International* reprinted the *Newsweek* article, denouncing it and the *Fortune* piece for suggesting that the United States had played a major role in building Iranian strength and that Iran would misuse its power. The Embassy was surprised that the Iranian Government would call attention to the offensive articles: "the Shah may have concluded obvious exaggerations in article (for example, figure of 50,000 political prisoners in Iran, and contention that only 58 business management students graduated this year) will cast doubt on veracity of other unfavorable points in article." The Embassy speculated that the Shah also hoped, perhaps, to defuse charges that his regime suppressed



criticism. (National Archives, RG 59, Central Foreign Policy Files, D740295–0355)

In telegram 8909 from Tehran, October 22, the Embassy noted: "Shah and other Iranian leaders appear to feel *Newsweek* article cast small shadow on Iran/US relations. They may suspect it was inspired by USG. Parliamentarians have criticized article as example of imperialist attitude toward Iran." Finance and Economics Minister Ansary remarked to the Ambassador that the articles could hinder efforts to establish the Cooperation Commission during Kissinger's upcoming visit, although he later indicated that this feeling was dissipating. In the Embassy's estimation, "prone to conspiratorial thinking, some Iranian officials may believe USG officials encouraged negative stories on Shah and Iran in *Newsweek* and *Fortune* as way of pressuring Iran on oil price issue." However, while it may have suited the Shah's purpose to have his officials express concern over the state of U.S.-Iranian relations on the eve of the Secretary's visit, the Embassy believed he had put the matter behind him. (Ibid., D740300–1176)

In telegram 8972 from Tehran, October 23, the Embassy observed that the U.S. edition of *Newsweek* had toned down the allegations against the Shah, providing an estimate, based on a SAVAK source, of 20,000 political prisoners, instead of the larger figure supplied by exiled opposition groups. The international edition's contention that SAVAK trials in military courts had led to at least 200 executions since 1970 appeared in the U.S. version as "Amnesty International maintains that large numbers of Iranians have been secretly executed for political opposition." (Ibid., D740302–0710)

Negative press followed Kissinger to Iran by way of a column by Jack Anderson in *The New York Times*. Backchannel message WH43037 to Kissinger, November 1, transmitted Anderson's article which asserted: "The Shah has become one of the world's most recklessly greedy, unbelievably wealthy rulers. He spearheaded the move to quadruple oil prices, and he still isn't satisfied." According to Anderson, Kissinger had gone to Tehran "prepared to treat the Shah as a military ally and protector of U.S. interests in the Gulf. Kissinger is counting heavily upon the Shah's goodwill to lower oil prices," contrary to Simon's advice to quadruple the price Iran paid for U.S. arms and wheat. It was a mystery, Anderson maintained, how the Shah always managed to get what he wanted from the United States, despite the sense, articulated by an unidentified Cabinet officer, that "it has been a one-way street." Anderson concluded by repeating the unconfirmed charges of a former Justice Department official to the Watergate Committee that the Shah had delivered huge sums to former President Nixon's re-election campaign via Mexico. (Ford Library, National Security Adviser, Trip Briefing Books and Cables of Henry Kissinger, Box 4,

Kissinger Trip File, October 20–November 9, 1974—Europe, South Asia, and Middle East, TOHAK (3))

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85. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, October 22, 1974, 0815Z.

8883. For Secretary from Ambassador. Subj: Atmospherics in Iran.

1. As you begin your swing through this part of the world, I thought you would want to know that the atmosphere here on US–Iran relations has not been of the best recently but may now have turned the corner. The *Fortune* and *Newsweek* articles about Iran<sup>2</sup> coming on top of President Ford's speech in Detroit and your speech in the United Nations<sup>3</sup> had about convinced high levels of GOI that the United States was looking for some kind of confrontation with Iran. In the usual conspiratorial view of life which prevails here, it was noted that *Newsweek* article hit many of the same notes which *Fortune* did, in fact, it seemed to have been cribbed in significant parts from *Fortune*.

Since it is well known that the two magazines have entirely separate publishers, the theory was that the United States Government was influencing the two magazines to take the same line. Obviously the patronizing and sneering tone of *Newsweek* hit a sensitive Iranian nerve coming on top of *Fortune's* comment that the Shah has "a reality problem." Hopefully things are now in better perspective. As result of a judicious use of State 230802 and State 227067<sup>4</sup> plus my tongue in an hour long conversation with Minister of Finance and Economics Anvary last Saturday, I believe the broad foundations and significant importance of US–Iran relations are back in perspective. The American press nevertheless is regarded these days by the Shah as "filthy."

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE–EXDIS (1). Secret; Immediate; Nodis.

<sup>2</sup> See Document 84.

<sup>3</sup> See footnote 3, Document 80.

<sup>4</sup> Telegram 230802, October 19, provided briefing guidance for the Embassies on the Secretary's Middle East trip. (National Archives, RG 59, Central Foreign Policy Files, P840167–2422) Telegram 227067 to Tehran, October 15, conveyed Ford's birthday wishes to the Shah. (Ibid., Central Foreign Policy Files, D740293–0984)

2. The foregoing derives from various conversations I have had, principally with Ansary, who is, like all important Iranian officials, acutely anxious to reflect the Shah's wishes. In my talk with him yesterday about your forthcoming visit and formation of a Joint Commission (Tehran 8872),<sup>5</sup> he indicated what I have set forth above, i.e., that relations are back in perspective. If I find that this is not accurate or needs qualification, I will of course communicate with you. Otherwise let us proceed on the assumption that your reception here will be warm and will reflect in equal measure whatever importance you choose to attach to this stop in your travels.

3. I might add that of all the Ministers who might be chosen as co-chairman of the Joint Commission, Ansary is the most able and most experienced in the fields of investment, joint ventures, and financial arrangements between countries. He has had considerable experience in working out schemes with France, Germany, Egypt, and so forth. You will find him a quick study. As one-time Ambassador to the United States, he learned a good deal about our private sector as well as the US Government.

4. Since we here have no reading on your discussions with the Saudis, Algerians, etc., on oil prices, we are not in a good position to recommend whether or not you want to tackle this one during your audience with the Shah although it is difficult to see how the subject can be avoided. If you do decide to do so, please remember that he knows a lot more about this subject than King Faisal, or Boumedienne, or any other Chief of State with whom you are likely to deal. Therefore may I quietly suggest that a lecture will not go down well. If you choose to begin the oft-suggested dialogue between consumers and producers, the Iranians are most articulate on what they conceive their grievances to be and they want to hear what we would regard as a reasonable means of relating their purchasing power to our rising cost of exports.

5. Good luck! Have a fine trip. We look forward to seeing you here. Warm regards.

**Helms**

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<sup>5</sup> In telegram 8872 from Tehran, October 21, Helms recommended that Kissinger discuss the Commission with the Shah briefly on November 1 and then have detailed talks the next day with Ansary. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE-EXDIS (1))

# 86. Telegram From the Department of State to Secretary of State Kissinger in Islamabad<sup>1</sup>

Washington, October 31, 1974, 2251Z.

Tosec 431/239903. Subject: INR Comments on Shah's Concerns about Oil Prices. No Foreign Dissem/Controlled Dissem/Background Use Only.

1. Following is INR summary of two intelligence reports that you may find useful in forthcoming meeting with Shah.

2. Despite Shah's truculent reaction to US statements on oil prices, these intelligence reports suggest that:

(A)—He is more concerned over possible US counteractions than he would like us to know;

(B)—He is trying to shift the blame for high prices away from Iran.

3. According to one clandestine report:

(A)—Iranian leaders are "very" concerned that the US might restrict arm sales to Iran;

(B)—The Iranian military considers it impossible to find substitute suppliers for the military equipment, in terms of quantities and sophistication, being purchased from the US.

4. According to another clandestine report, the Shah:

(A)—Urged Suharto to cooperate closely with Iran to stand up to the "threat" in the President's September 23 speech;

(B)—Warned that the oil producers must prepare to "protect themselves against unexpected attack from industrialized nations."

5. *INR comment*: These reports lead us to conclude that:

(A)—The Shah will not be moved by argumentation over the impact of current oil prices, including the potential damage to Western strength vis-à-vis the Communists, but he may feel vulnerable to a possible US review of the broader US-Iranian relationship in an effort to compel Iran to roll back oil prices. (Actually, there already has been some softening in public of the Iranian insistence on higher oil prices.)

(B)—The Iranian Government is particularly concerned about the possibility of US pressure for reduced oil prices through restrictions on

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 6 October–30 December 1974. Secret; Immediate; Nodis. Drafted by Phillip H. Stoddard and William D. Howells (INR/RNA), cleared by James W. Eighmie, Jr. (INR/RNA), and approved by Gerald Goldstein (INR/REC). Also sent to Kabul.

arm sales. Without such sales, the Shah, in the Iranian view, cannot implement his ambitious plans for military modernization.

Ingersoll

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**87. Backchannel Message From Secretary of State Kissinger to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, November 1, 1974, 2134Z.

Hakto 80. 1. Please give orally the following report to the President from me. Do not leave a copy of the report and please emphasize its extreme sensitivity.

2. *Begin report:*

I have just finished over four hours of talks with the Shah. I will send you a complete report tomorrow. However, I wanted you to know that the Shah told me that at the next OPEC meeting he will recommend a slight cut in oil prices, to be maintained through 1975. The cut, taking into account inflationary trends, will amount to a 20 percent to 25 percent reduction in prices over a two year period.<sup>2</sup>

The Shah emphasized that this cut is conditional on our maintaining absolute secrecy. Therefore, I must stress the sensitivity of this information. *End report.*

3. Warm regards.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran Trips, 1–3 November 1974. Secret; Sensitive; Immediate; Exclusively Eyes Only.

<sup>2</sup> In a checklist for Kissinger's talks with the Shah, November 1, the Department summarized the strategy for achieving lower oil prices by "trying to get him to lower slightly or at least freeze prices by appealing to his statesmanship (and his ego), suggesting that he work in partnership with the United States on regional and world political and economic issues, indicating an interest in his pet economic ideas, and painting a picture of the dangers to the West and even to the ability of the US to cooperate with Iran (i.e. Congressional opposition) should the oil-price trend continue." (National Archives, RG 59, Records of Henry Kissinger, 1973–1974: Lot 91D414, Box 3)

88. Memorandum of Conversation<sup>1</sup>

Tehran, November 2, 1974, 9:40–10:35 a.m.

## PARTICIPANTS

Mr. Hushang Ansary, Iranian Minister of Economic Affairs and Finance  
 Dr. Etemad, Deputy to Prime Minister for Atomic Energy Affairs  
 Mr. Mustoufi, Petroleum Industry  
 Mr. Vafa, Under Secretary for International Affairs, Ministry of Economics  
 Dr. Hatef, Ministry of Foreign Affairs  
 Rear Admiral Ardnan, President of Electronics Industry  
 Mrs. Rouhi, Director General, Ministry of Communications  
 Mr. Fardshisheh, Special Assistant, Minister of Industry  
 Ambassador Sadri, Protocol  
  
 Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
 National Security Affairs  
 Ambassador Richard Helms, U.S. Ambassador to Iran  
 Mr. Alfred Atherton, Jr. Assistant Secretary of State for Near Eastern and South  
 Asian Affairs  
 Mr. Winston Lord, Director, Policy Planning Staff  
 Mr. Robert Oakley, NSC Staff  
 Ambassador Robert Anderson, Special Assistant to the Secretary for Press  
 Relations  
 Mr. Peter W. Rodman, NSC Staff  
 Mr. Miklos, DCM

## SUBJECT

First Meeting of US–Iran Joint Commission

[The Secretary flew from the Guest House to the Foreign Ministry by helicopter and then traveled by motorcade to the Ministry of Economic Affairs and Finance. Greeted by Minister Ansary, the Secretary and Ambassador Helms conferred privately in the Minister's Office from 9:30–9:40 a.m., and then joined the larger group in the conference room.]

Ansary: We've had a request from the press whether they can take pictures at this meeting of the Commission. I said it would be subject to your approval.

Kissinger: As long as you don't point a finger at me while they're doing it. [Laughter] [The press was admitted briefly to take photographs, and then dismissed.]

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<sup>1</sup> Source: National Archives, RG 59, Records of Henry Kissinger, 1973–1974: Lot 91D414, Box 21. Secret; Nodis. The meeting was held at the Iranian Ministry of Economic Affairs and Finance. All brackets are in the original. Telegram 220253 to Tehran, October 6, contains the Department's conclusions concerning the planning and preparation for this first meeting of the Joint Commission. (Ibid., Central Foreign Policy Files, D740283–0453)

Ansary: With your permission, may I extend a warm welcome to you and the members of your party. We are delighted to have you with us. And may I say we follow your itinerary closely, and we are very appreciative of your perseverance, your hard work and your dedicated efforts to the maintenance of peace in the area. We feel strongly that the time has come for the countries of the region finally to disengage themselves from policies of confrontation and to engage themselves in improving the economic and social welfare of their peoples. Therefore we are very appreciative of your great efforts since you assumed your high office.

We also are very gratified at the formation of the joint ministerial commission. It is very gratifying that you have agreed to serve as co-chairman of this commission. I recall warmly my days in Washington and serving with you and your colleagues. I look forward to the constructive work of the commission. With your leadership and your great contribution, we will be able to embark on many projects of mutual benefit, the advantages of which will go beyond the boundaries of our two countries, for other countries in the area and in other respects.

I'm sure, Mr. Secretary, you are familiar with the efforts made in this country under the dynamic leadership and initiative of His Imperial Majesty, the Shahanshah. But let me discuss it insofar as it has a bearing on our discussions.

In the next decade, we expect to pump \$180 billion into the development of our economy. By 1983, we expect our Gross National Product will reach \$190 billion.

Kissinger: In current dollars?

Ansary: Yes. It's trivial compared to yours, but it is significant compared to that of many advanced countries.

Kissinger: Western Europe.

Ansary: Yes. We expect per capita income to reach \$4000 by that time. We expect our industry by that time will grow 16–18% a year. Our agriculture growth rate hopefully is expected to reach 7–8%—which is rather ambitious, but with the priorities we are placing on it, we hope to achieve this. By 1983, we hope we will produce one million cars a year, 3 million television sets a year, 3.2 million refrigerators a year, 1.5 square miles of textiles, 400 million pairs of shoes, 15 million tons of steel, and one million tons of aluminium. And we hope to be the seventh largest manufacturer of copper and copper products by then, with a production of \$1 billion a year. By 1983, we hope every three households will have two cars, every household will have a TV and refrigerator, and every third household will have two phones.

We hope our trade will reach \$40 billion in annual transactions. And we hope the United States will remain a large trading partner, and

maintain her share of our trade. Trade in goods and services remain the most effective method of recycling petrodollars. Our imports this year will be \$10 billion, as against \$4.3 billion last year.

Also, under the direct orders of His Imperial Majesty, we have begun an extensive overseas investment program.

Our objectives in this, first, are to help increase world food production and to try to avert the shortages we face. Second, we are aiming at helping the developed countries and the less developed countries in their efforts to overcome a serious economic recession. Our efforts are aimed at helping the countries in the area in their economic development programs, because only in that fashion can we maintain peace and stability in the area. Fourth, our intention is to ensure our continued access to a steady supply of raw materials and modern technology for Iran, and access to materials in countries in the region.

In this way, we will be able to embark on extensive manpower training, which is of critical importance. These programs in the area require foreign assistance. We have done this in highly concessionary terms, with soft loans and in limited cases through grants. We have done this in Asia, Africa, and a few in Western Europe. Our commitments exceed \$7.7 billion. By 1983, we expect 6% of our Gross National Product will be earmarked for these programs.

We feel that the long-standing bonds of friendship between our two countries have opened many doors for new opportunities for cooperation. The areas are already varied and cover an impressive list of activities. Therefore we feel the Joint Commission should focus on the more important areas. We should emphasize private enterprise in both countries and work to shape regulations for their activities in our country, because of our public sector. On our side, we should be able to contribute towards coordinating efforts to make it possible for American enterprise to participate more extensively in our development.

In our opinion, while a very broad range of subjects have been envisaged, and reflected in the communiqué,<sup>2</sup> some of the aspects could be undertaken immediately through the formation of subcommittees. We are flexible. We think that to prepare for the next meeting of the Commission, the work of the subcommittees should begin immediately so we can have the results by the next meeting.

In our opinion, the field of nuclear energy is one of the most important areas. This includes nuclear reactors and plants, uranium enrich-

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<sup>2</sup> The communiqué released on November 2 is in telegram Secto 336/9236 from Tehran, November 1. (Ibid., D740313–0826) It is printed in the Department of State *Bulletin*, November 25, 1974, pp. 729–730.



ment, and also training of manpower. Already an extensive dialogue is going on, and we can iron out the difficulties.

In the field of agriculture, we are prepared to go extensively into cooperation both in Iran and third countries for solution of the food shortage. With India, Indonesia, Sri Lanka, Egypt, we have already started in fertilizer production.<sup>3</sup> We would welcome your assistance.

We are also interested in a long-term agreement with the United States to meet some of the requirements of our country in this area. We are looking beyond the immediate supply situation, and arrangements should be possible that are of advantage to both, regardless of fluctuations in the world supply and demand.

In addition, more extensive contact with NASA on a more direct basis would be helpful to us.

Let me turn now to industry. Of particular importance is the development of a modern electronics industry, manufacture of steel through new processes, aluminum industry, ferrochrome and ferromanganese, and transfer of technology and manpower training. In these fields, and the petrochemical field, we not only are prepared for joint ventures in Iran but also to go into third markets with the United States making the maximum use of the comparative advantages of both for mutual benefit.

I can express full confidence that taking advantage of your presence here today, and with your leadership and personal attention, we should be able to get the Commission off the ground on these and any other ideas you have and we can emerge from the meetings with highly impressive decisions.

I am sorry your visit here is very short. I am pleased you can visit Isfahan and Shiraz with your very charming wife, and on the basis of your talks with His Imperial Majesty, I hope you can find the time for including Iran on future itinerary.

May I introduce my colleagues: To my right is Mr. Etemad, who is in charge of atomic energy affairs; His Excellency Mr. Mustoufi, of the petroleum industry; Dr. Vafa, Under Secretary for International Affairs at the Economics Ministry; Rear Admiral Ardnan, President of the electronics industry; and Ambassador Sadri, who has been with you. Behind me, Mr. Hatef, of the Ministry of Foreign Affairs; Mr. Fardshisheh, Special Assistant to the Minister of Industry; and Mrs. Rouhi, of the Ministry of Commerce.

Kissinger: Mr. Minister, after listening to your presentation, I can see why in the long and distinguished history of Iran there were so

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<sup>3</sup> See footnote 9, Document 89.

many grandiose political structures. Because you certainly think in big terms, and that is what the world certainly needs now.

You know Ambassador Helms. To his right is Winston Lord, now Director of Policy Planning, who has been a close associate of mine; then Peter Rodman, another close associate of mine over the years; Mr. Atherton, who is Assistant Secretary for Near Eastern and South Asian Affairs; Mr. Robert Oakley, who was at the Department of State and is now an assistant on the National Security Council Staff. Then Mr. Robert Anderson, who is our press spokesman but also has substantive responsibilities.

First, let me thank you for your warm hospitality. When we come to Iran, we feel we are with friends, and we deal with each other in that way. I am pleased to be associated with His Excellency the Minister, and I know the Commission will make a contribution not only to the region but beyond the region.

Your outline of the future of Iran was impressive—because of the scale of endeavor—and it was quite moving, because what the world needs now is a conception of its possibilities. On one end of the scale is Bangladesh, which can project only misery. But at the other end are countries like Western Europe, that are at the level you are aiming at, who are seized with self-doubt. To see somewhere in the world a country that takes charge of its future will have an effect beyond Iran.

From the Minister's presentation, to get away from confrontation and to take advantage of the possibilities of technology is indeed the way to peace, not the day-to-day issues the press always reports. How to solve the Middle East is complicated, and in a way irrelevant; but what the Minister outlined today, even though it is not as melodramatic, will have more effect on people's lives.

As my colleagues know, I'm a passionate advocate of these commissions. Even though they often fall into the hands of bureaucrats who do what they know how to do, plus 5%. [Laughter] I see it in the terms the Minister outlined. This framework gives me great hope.

On our side, within the limits of a bureaucracy which can't avoid twenty endorsements on every paper, we will do our best to streamline the procedures and think creatively. We should both offer ideas and instruct our subordinates to be daring.

No doubt we will find other areas. But let me say:

On nuclear energy, we talked privately before. We have a concern to prevent the spread of nuclear weapons, and therefore a concern to avoid countries who get nuclear technology from spreading into weaponry. So far we are fortunate that the weapons are now in the hands of countries who are either responsible or cowardly [Laughter]—one or the other. But we can't count on this. The world is tense enough as it is without compounding it.

This doesn't affect your program on peaceful uses; it has to do with the safeguards. We strongly support your program.

Agriculture is a field I've discussed with His Imperial Majesty last night.<sup>4</sup> I had the impression he shares our view that world food, like energy and inflation, is a major world problem for cooperation, and that Iran can play a major role. We didn't go into detail, but I think Iran could act as the center for the whole region for advanced technology, for example, fertilizer, and resources for investment in the area. We would be prepared to deal with Iran in this spirit to see how we can be helpful, not only with Iran's national problem, but beyond this, how Iran can help organize the food needs of the whole region. One sub-committee could do this.

The Minister mentioned a long-term agreement to meet the needs of Iran. In principle, we would be receptive, but I need a clear idea of what he had in mind.

The Minister mentioned NASA. Is this in connection with agriculture? We are now using satellites for surveying and forecasting. We will share the results certainly with Iran. If you have in mind space cooperation, in principle we don't exclude it. But at a minimum, for the use of space techniques for stimulating agricultural production, I can tell you now we would be prepared to design joint projects.

The perspectives for industry—again, we should get our people together and ask them to think in big terms. Because what you said is in principle the direction we think we should go.

I say this in a spirit of self-criticism—we ought to give this Commission and Iran-US relations the forward thrust implicit in your remarks. But in 1969, His Imperial Majesty first said to me the importance of increasing Iran's oil production from four million barrels to 6. I owe it to our Iranian friends to point out that I submitted this proposal to our experts, who said this was a sly Iranian trick to capture a bigger share of the limited oil market and to squeeze the Arabs out. The Shah said we could have most of this new production. This sounds ridiculous today. Our Iranian friends were 100% right, and we were 100% wrong. So we should look ahead into the real future, not just project a little bit forward like bureaucrats.

I come here at a time when it isn't clear from the American press and even one or two American officials whether I'm here to negotiate a disengagement of our forces [Laughter] or an armistice [Laughter], or whether we're dealing with friends. But the press isn't making foreign policy. If we could control them, we would keep them from writing against me [Laughter]. So the people who make foreign policy consider

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<sup>4</sup> Presumably at the meeting on the evening of November 1; see Document 89.

Iran a traditional friend, and our relationship has a political significance far beyond our bilateral relationship. Therefore, I am not here to discuss this or that technical issue. Five years from now, our discussion about oil prices may seem as limited as what I said about oil production in 1969. We are two countries who have always had no complexes about each other and who think with the long view. This is the President's view. We have the greatest admiration for His Imperial Majesty, not just as a leader of a friendly country but as a statesman. Therefore this is the most important stop on my trip.

Could you answer my question?

Ansary: Yes, thank you for your very kind remarks. Likewise on our side we will do everything we can to move in the direction you pointed to. I am also pleased at your remarks at the public relations aspect of our relationship. Nothing in the press has affected the close relationship we have. But to the extent that the news media in any country play a part in giving an impression of an attitude, your remarks have a great deal of impact. I note you have the intention of saying a few words at the press conference.

When I was in Washington last month, I answered a question by Andre Marton of the Associated Press that the fact of differing views doesn't affect the close bonds we have. And your affirmation of these sentiments goes a long way to help the situation.

With respect to a long-term agricultural agreement, there are three items of importance to us: Wheat, maize, and barley are of immediate interest to us, but there may be others.

With respect to NASA, our proposal is aimed mainly at our agricultural development program. We welcome your positive reaction, Mr. Secretary, because we think a direct link between our Ministry of Agriculture and NASA would be very helpful.

With respect to Iran acting as the center for regional development of agricultural technology and coordinating efforts in the region: If subcommittees including agriculture are agreeable to you, I suggest we ask a subcommittee to study this and do a paper for the next meeting.

Kissinger: I agree. May I make one suggestion: We are now in a period of transition in America between the orientation of our agriculture towards a totally free market, and the new world reality. This is why we had to cancel some contracts made—in good faith—with the Soviet Union, and postpone some with Iran. So, before we get this long-term arrangement set up, if we could exchange information better on needs...

[To Ambassador Helms:] You have an agricultural attaché.

Helms: A very good one.

Kissinger: It's now really an informal export control. Iran would receive the highest priority, so you would run no risk. But it would help to plan.

Ansary: We would be happy to do that.

Kissinger: Then when we have a Commission, we can do it in that framework. Can we say we'll set up subcommittees within 30 days? Get some recommendations to us.

Ansary: Yes.

Kissinger: Bear in mind that it takes 28 out of 30 days to get a paper from where it's received in the State Department to my office [Laughter].

Ansary: Shall we say 60 days? Because we have the same thing on our side. [Laughter]

Kissinger: The State Department computer broke down last night and we weren't getting cables. We have no other capability. We are worse off with the computer! We should get an appropriation for a manual system. [Laughter] The computer is fixed anyway so I see nothing of consequence. [Laughter]

Ansary: We're very pleased with this meeting, Mr. Secretary.

[The meeting ended at 10:35 and the Secretary and the Minister proceeded down the hall to hold a joint press conference. The transcript of the press conference is at Tab A.]<sup>5</sup>

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<sup>5</sup> Attached; it is printed in the Department of State *Bulletin*, November 29, 1974, pp. 724–729.

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**89. Message From Secretary of State Kissinger to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Isfahan, November 3, 1974, 0115Z.

Hakto 89. 1. Please pass the following message on to the President on my talks with the Shah of Iran.

2. *Begin text:* Upon arrival in Tehran in late afternoon of November 1, had two and one half hour audience before dinner and one hour and

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<sup>1</sup> Source: Ford Library, National Security Adviser, Trip Briefing Books and Cables of Henry Kissinger, Box 4, Kissinger Trip File, October 20–November 9, 1974—Europe, South Asia, and Middle East, HAKTO (4). Secret; Immediate; Sensitive.

a half after dinner with the Shah. Audience took place in high-ceilinged sitting room which he uses as office at Saadabad Palace. Only other individual present was Ambassador Helms since customarily the Shah conducts audiences of this nature without presence of any Iranian officials or notetakers. After 33 years on the throne, his grasp of geopolitical realities and details of Iran's foreign policy are extraordinarily impressive. The atmosphere was warm and cordial and no sharp edges developed despite the topic under discussion. At the end of the audience, we agreed on how we would deal with the press, particularly on the question of oil pricing about which I have already briefly communicated with you.<sup>2</sup> Our talk broke down into certain general areas, the total range of topics being more numerous than need repeating.

Middle East: We first discussed developments on the Cyprus question in terms with which you are familiar. It should be noted that the Shah is steadfast in his support of Turkey even though he disagrees with the way it has handled the military aspects of the Cyprus situation.<sup>3</sup> I then asked the Shah how he saw the situation in the Middle East as a result of the Rabat Summit meeting.<sup>4</sup> The Shah immediately commented that the Arab agreements had made things more difficult since Israel would certainly not talk with either Arafat or the PLO. I pointed out that the United States would have to make a decision soon as to whether it should continue its peacemaking efforts toward some motion on one front or another or whether it would be better to permit a stalemate and to encourage all the participants to reconvene at Geneva. I said that I would go to the Middle East next week to take soundings and to find out what in fact was agreed at Rabat and how the various leaders interpret it.

The Shah said he wanted to make a suggestion even though he agreed that it might have certain "devilish" aspects. He asked why it would not be smart for the Israelis to withdraw on the West Bank, perhaps 10 kilometers, thus suddenly creating a new situation there which, he foresaw, would have the PLO and the Jordanians at each other's throat and would gradually cause dissension throughout the Arab world. I pointed out that I had recommended the same maneuver to the Israelis over a year ago but that their generally short-sighted attitude had kept them from acting upon it when it was feasible. I said I saw even less prospect that they might do it now. If a stalemate, the

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<sup>2</sup> See Document 87.

<sup>3</sup> Nikos Sampson was installed by the Greek military junta in July 1974 as the President of Cyprus following a coup. He was removed 8 days later after the Turkish invasion of Cyprus.

<sup>4</sup> At the Arab League Summit meeting of 20 Arab leaders and Palestinian representatives held at Rabat in October, the conferees designated the Palestine Liberation Organization as the sole legitimate representative of the Palestinian people.

Shah argued that the outcome would largely depend on the Soviets since stalemate is really preparation for war and the Arabs would have to ask the Soviets for additional arms.

The Shah said he would be going to Egypt on January 7 and would do what he could to strengthen President Sadat's will. Since Israel will not "be sleeping" during the stalemate period, there inevitably arises the question of whether or not the Soviets could stay aloof if war were to break out again and Syria be militarily defeated.

At this point the Shah spoke of Iranian military assistance to the Kurds and described the artillery and financial support which he has given them. He pointed out that even if the Iraqis succeed in destroying the Kurds, they will still be nailed down on the Iranian border where they would in any event prefer to be as against facing the Israelis on the Syrian front. The Shah is worried about the 100,000 refugees which he is now caring for in northwestern Iran and is anxious for American assistance in getting international refugee organizations to help with the problem.

The various options in the Middle East were discussed, most of them being described as unworkable in the current context. This gave me an opportunity to explain to the Shah confidentially that the United States cannot accept another oil embargo and that contingency planning was going forward for military action in the event that one were to eventuate. The Shah immediately replied that Iran would not go along in any way were an embargo to eventuate in this context. He asked why the United States did not plan to purchase additional C-5 aircraft to improve its capacity for intervention in the Middle East. He said that he was prepared to put up the \$165 million which it would cost to start up the Lockheed production line provided that the US Air Force was prepared to place some orders. The President of Lockheed who was in Tehran a few days ago told him that there was a possibility that the Saudi Arabians and the West Germans might buy C-5's.

In a contingency situation, the Shah offered to refuel American C-5's from the modern Boeing 707 tankers which he has recently purchased from the United States—even in an Arab-Israeli war if we kept it quiet.<sup>5</sup>

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<sup>5</sup> Kissinger and Schlesinger discussed Iran in a meeting on November 14. Kissinger commented: "The Shah is the one guy who has a strategic conception. He is with us on everything but oil and there he only wants money—and he could put \$10 billion into the U.S. He would like to open the C-5 line for us." When Schlesinger noted that the Shah expected payments of \$12 million for any aircraft that anyone else bought, Kissinger responded, "I told him we were sympathetic on co-production and you would do it. He is also willing to refuel us in the event of a Middle East war." (Ford Library, National Security Adviser, Memoranda of Conversations, Box 7)

Oil Price Problem: We discussed oil prices extensively as you can imagine. I gave the Shah the full benefit of our thinking on how the dislocation caused by the sudden rise in oil prices threatened to change existing arrangements, particularly in Western Europe and might bring about new political realities such as a feeling of impotence on the part of certain of the consuming countries. I told him that the United States did not want confrontation with Iran and did not want Iran to be singled out among oil producers as the villain. I spoke of the parochial outlook of so many of the leaders in the oil producing countries and conjectured that a consumer–producer meeting would get nowhere because of the limited vision of the participants among most of the OPEC countries. He countered by explaining the history of crude oil pricing and read to me in detail a letter which had been presented to him before the last OPEC meeting by Prince Saud, King Faisal's brother, who is Petroleum Minister Yamani's Deputy in the Petroleum Ministry. This letter developed in excruciating detail the complicated system of pricing which Saudi Arabia wanted to advocate and which looked as though it were lowering prices on the one side while raising them on the other. Without developing technical details, may I say that it takes a computer to figure out the price of a certain barrel of crude oil under existing arrangements.

The upshot of our discussions appeared to me to be constructive; the Shah will recommend at the December 12 OPEC meeting:

1. A single price system and 2. A freezing of crude oil prices for the first nine months of 1975.<sup>6</sup> The Shah points out that the single price system which he is advocating will peg the price at approximately \$1.65 less than the existing price of \$11.65. In addition a freeze will cause the producers to absorb inflation for 18 months since there has been a freeze for 9 months already. This will give an opportunity for a decline to take place by the consumers and producers looking toward more permanent arrangements on the price of oil and other commodities. The Shah underlined the fact that inflation being what it is now, the purchasing power of Iran will be eroded during this nine-month period, so that the industrialized countries will be catching up during

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<sup>6</sup> In telegram Tosec 447/240138 to Islamabad, November 1, Enders advised the Secretary that the single price system would create "the impression of a price reduction when in fact the actual average price at best would remain essentially unchanged by the Shah's formula or at worst increase a dollar per barrel or more as advocated by Algeria, Iraq and Libya." The single price, he warned, could institutionalize current high prices and imply nationalization of the oil companies. (National Archives, RG 59, Central Foreign Policy Files, D740312–0201) Telegram 9488 from Tehran, November 7, quoted a clandestine radio bulletin from the banned Tudeh Party, broadcast from the Soviet Union, that Kissinger had won the Shah's covert pledge to reduce oil prices. The Shah, it claimed, was a "mouse who is all ears when it comes to talking with Kissinger." (Ibid., D740320–0464)



this time frame. He underlined that these would be his recommendations to OPEC but that he had no means for ensuring what the outcome of the meeting would be. Therefore we agreed that it was absolutely essential that there be no publicity given to the proposed Iranian recommendation since that inevitably would bring about a hardening of position on the part of other OPEC members before the meeting started. We agreed that the US should designate somebody trusted by you and me with whom he could conduct a confidential dialogue. He would then seek to bring his position closer to ours in international forums. Helms agrees that this is the maximum we could have obtained in one session.<sup>7</sup>

Food: I informed the Shah of the line I would take in my speech to the World Food Conference on November 5.<sup>8</sup> I asked if he would back my position of the general subject of building fertilizer capacity in developing countries. He immediately agreed to do so. He said he has lent money to President Suharto of Indonesia to build a fertilizer plant. He has done the same with Sri Lanka and is prepared to help any country who feels that it needs fertilizer facilities. He stated that he is prepared to build in Iran a facility which would supply the whole area around his country. Minister Jamshid Amouzegar who will attend the Food Conference for Iran will be instructed to come out with a strong public statement on this general subject next week in support of the United States' position.<sup>9</sup>

Russia and China: At his request I filled in the Shah in most general terms about my recent visit to Moscow. He is going there on November 17 and was anxious to get a reading on the mood of the Soviet leadership. He believes that the Soviets will try very hard to recoup their posi-

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<sup>7</sup> In a November 10 meeting with Ford, Kissinger told the President: "You are being told we have to break the Shah to get oil prices down. Simon will recommend that you cut the Shah off unless he cuts OPEC prices by 50%. It won't work, and it's based on a misconception. The Saudis tell everyone that they would reduce prices if Iran would—because they know Iran won't. Without Iran, the Saudis wouldn't do it because of the radicals. For us to break Iran is insane. He is politically one of our best allies." Kissinger noted that the Shah "agreed to a cut of 20–25 percent, with an index for inflation." Ford responded, "With him we would get a 15% cut and \$10 billion in capital investment. Let's meet with him." Kissinger replied, "With luck we can announce the \$10 billion by April. We do not have the horsepower to take on the producers until we get the consumers financially consolidated in an energy program. If we confront the Shah now, the Europeans will pick up the pieces. And we need him if there is a Middle East war." (Ford Library, National Security Adviser, Memoranda of Conversations, Box 7)

<sup>8</sup> Kissinger addressed the opening session of the World Food Conference in Rome on November 5. The text of his speech is in the Department of State *Bulletin*, December 16, 1974, pages 821–829.

<sup>9</sup> Telegram 9577 from Tehran, November 11, reported Ansary's announcement that Iran would assist countries in the Indian Ocean area to construct fertilizer plants to help ease the world food shortage. (National Archives, RG 59, Central Foreign Policy Files, D740324–0303)

tion in the Middle East and that the time of maximum danger will come with the demise of Chairman Mao in China or with any indication that the Chinese nation has lost its central control and is breaking down into a conglomerate of war lords. The Shah tells me that the PRC is “flirting very hard” with Iran and is backing its various policies in the United Nations and other international conferences. The Chinese want the Shah to pay them a visit and he is still undecided whether to do so because of the protocol problem arising out of the fact that no one from China has returned the visit of the Empress and the Prime Minister of Iran a couple of years ago.

At the conclusion of the audience I suggested to the Shah that a meeting between you and him would be desirable. He told me that he had an invitation to visit Venezuela and was debating whether or not to accept it. If it comes off, it would probably be in February or March. I told him that a visit to you on the way to or back from Venezuela could probably be arranged and that if he would let us know well in advance, we would make our best effort to arrange a stop in Washington. *End text.*<sup>10</sup>

3. Warm regards.

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<sup>10</sup> Scowcroft advised the Secretary in message Tohak 132/WH43092, November 3, that he had delivered this report to the President. Scowcroft noted that Ford “was very pleased with what you had been able to accomplish with the Shah and remarked on your ‘almost unbelievable powers of logic, articulation, and persuasion.’ I emphasized the essentiality that any word on oil prices come from the Shah and not us and he said he would tell absolutely no one. He commented on the Shah’s reference to the C-5 and said that we should look into the possibilities. He also said he would be delighted to see the Shah on his way back from Venezuela or at any other time.” (Ford Library, National Security Adviser, Trip Briefing Books and Cables for Henry Kissinger, Box 5, Kissinger Trip File, October 20–November 9, 1974—Europe, South Asia, and Middle East, TOHAK (11))

**90. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, November 27, 1974, 0914Z.

10090. Dept pass DOD for ISA. Subj: US-Persian Gulf Arms Policy. Ref: Jidda 6840.<sup>2</sup>

1. There are doubtless considerations that should enter into formulation of US arms policy in this area which transcend bilateral relations with any one country. Jidda's reftel touches on this question and suggests need for some sort of qualitative parity between Iran and Saudi Arabia. From our perspective, it would seem several important questions should be examined before we reach such a conclusion.

2. First has to do with frequently heard assertion that Saudi Arabia and other Peninsula countries have "anxieties" about Iran's long-term intentions in light of its military modernization program. While we obviously are not in best position to analyze sentiment on other side of Gulf, we wonder how widespread or deeply felt these "anxieties" may be. From reports of journalists and others familiar with Arab side, we get impression there is considerable ambiguity about Arabian Peninsula attitudes toward Iran and its growing military strength. Such concerns as SAG may harbor appear at least partially offset by comfort Saudis take in having strong non-Communist neighbor able to defend itself and thwart Communist ambitions in the area and also able and willing to play useful military role in Arabian Peninsula when asked to do so. As for concrete examples of Saudi sentiment, it would be interesting to know what Prince Turki thinks about Iran after his recent visit here. Also interesting would be Saudi reflections on recent Iranian Navy maneuvers in Straits of Hormuz which received such great publicity here. In short, we think careful assessment of Arabian Peninsula attitudes on regional security matters would be desirable and helpful.

3. As to question of achieving military parity between Saudi Arabia and Iran, we believe any such policy is foredoomed to failure. Obvious differences between their respective manpower, technical, and resource bases is too great to bridge within any foreseeable time

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE-EXDIS (1). Secret; Priority; Exdis. Repeated Priority to Jidda and to Abu Dhabi, Kuwait, and Manama.

<sup>2</sup> In telegram 6840 from Jidda, November 21, the Embassy suggested that Saudi anxieties about Iran's intentions in the Gulf could be partially allayed and Saudi-Iranian cooperation encouraged "by giving the Saudis the opportunity to buy those weapons systems made available to Iran." (National Archives, RG 59, Central Foreign Policy Files, D740337-0086)

frame. Further, there are inherent differences in defense perspectives and military requirements. For example, Iran sees need for defense facilities around its entire perimeter and need to connect these by modern military communications system utilizing satellites. Established population centers around this perimeter permit it to plan and implement such a policy. We wonder whether same is true on Arabian Peninsula, and if not, whether this is sufficient cause to deny what Iran desires.

4. Several years ago USG set policy of encouraging Persian Gulf countries to provide for their own defense in cooperation with each other. In doing so, we recognized there were differences which would persist in needs and abilities of each country. We also recognized there were historical and other obstacles to full realization of such a policy. Nevertheless, we have followed this policy and our efforts have not been without some success. Persian Gulf states are stronger than they once were. All seem more confident of ability to cope in an uncertain future. There has been appreciable growth in communication between two sides of Gulf on security and other matters. There has also been some disappointment, slippage, and diversions but from Tehran it would seem to be net gain on balance. This favorable but fragile trend can be easily reversed, however, and we think one of quickest ways to do so would be to begin to deny military requests from one country on grounds we are not prepared to satisfy similar requests from other countries in area.

**Miklos**

December 1974–November 1975

91. **Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) and the Acting Assistant Secretary of State for the Bureau of Oceans and International Environmental and Scientific Affairs (Sievering) to Secretary of State Kissinger<sup>1</sup>**

Washington, December 6, 1974.

Nuclear Energy Agreement for  
Cooperation with Iran

*Problem*

We would like to make available to Iran our proposed text of an agreement for cooperation in nuclear energy in advance of the meeting of the U.S.–Iran Joint Commission on Atomic Energy which is now planned for Washington in mid-January.<sup>2</sup> Your decision is needed on what additional bilateral safeguards, if any, should be included in the agreement to supplement standard IAEA safeguards.

*Background*

The agreement with Iran, a party to the NPT, is the first to be considered since the Egypt/Israel reactor sale announcement and the subsequent surge of Congressional concern over nuclear sales abroad. In the proposed Egyptian-Israeli agreements we decided to include additional bilateral provisions which we subsequently tightened in response to Congressional concerns. Importantly, these special conditions require: reprocessing, fabrication and storage of U.S. material and plutonium produced from the use of U.S. supplied material or equipment take place outside the country; offering the U.S. first option to “buy back” produced plutonium; the provision of mutually agreed physical security measures; expressed confirmation that the recipient would not use U.S. material for PNE’s; and that all future nuclear material and facilities entering the country would be subject to IAEA safeguards.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P850125–0591. Confidential. Drafted by Naas, Jerome H. Kahan (S/P), and Justin L. Bloom (SCI/AE); cleared by Sievering; and approved by Byron K. Huffman, Jr. (NEA/L). Sent through Sisco.

<sup>2</sup> An earlier draft of the agreement is attached to Document 83.

As an NPT party, Iran, unlike Israel and Egypt, is obligated to place *all* its nuclear facilities under IAEA safeguards and to refrain from acquiring peaceful nuclear explosives.

The Shah, as part of his proposed nuclear power program, has already announced his intent to procure eight nuclear power plants from the U.S. and five from France. Iran signed letters of intent this month with a German and a French firm for a total of four nuclear power plants. Also, at our instigation, approaches have been made by the Bechtel Corporation to Iran to encourage the Shah's investment (on the order of \$300 million) in a private uranium enrichment plant to be built in the United States. There is nothing to prevent Iran from purchasing enrichment services from the U.S. and then to use the fuel obtained in reactors purchased from other countries.

Consequently, our posture in approaching Iran with a draft agreement for cooperation should take into account that too strong a position on our side may induce the Shah to deal with others, while too weak a position may make Congressional approval impossible to attain.

### *The Options*

#### *Option One: Standard Agreement with IAEA Safeguards*

*Advantages:* The standard agreement, which provides for IAEA safeguards and which we have signed with 29 countries, has worked well. Signing this agreement with Iran would be consonant with our special relationship and would emphasize that we view Iran as a mature and stable power. This option would assist our broader non-proliferation objectives by highlighting the importance we attach to Iran being an NPT party and would avoid the need for special controls beyond the NPT-related safeguards, thereby avoiding calling the basic IAEA system into question.

*Disadvantages:* We have already briefed key Congressmen and Senators that the Iranian agreement would include additional bilateral provisions that go beyond IAEA requirements.<sup>3</sup> We would have to go to the Hill again and reopen this matter. On substantive grounds, the standard agreement does not provide a U.S. veto over the reprocessing, fabrication and storage of the plutonium generated by the reactors, or special physical security features to protect the nuclear material from theft. These omissions mean that the nuclear weapons potential of our material would introduce risks in the event Iran were to abrogate from the NPT, and that the danger of sub-national theft of our material might be serious.

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<sup>3</sup> Kissinger wrote in the margin: "Why did we do this?"

*Option Two: Standard Agreement with Addition of Physical Protection Features*

*Advantages:* This could be interpreted as fulfilling any obligations made to Congress, at least for the imposition of additional security measures. At the same time, the Shah should be receptive to the argument that mounting international concern about increased terrorism requires the establishment of mutually agreed security procedures (which are *not* part of the NPT or IAEA safeguards).

*Disadvantages:* The Shah may feel that Iran is being singled out for harsher treatment than the countries of Western Europe, Japan, etc., although we can explain that these physical security features are to be included in all new agreements. Members of Congress who are generally anti-nuclear or who have expressed the greatest dismay over the agreements with Egypt and Israel may not be satisfied with the inclusion of physical security conditions alone.

*Option Three: Standard Agreement with Addition of Some of the Bilateral Controls over Materials Proposed for Egypt/Israel*

*Advantages:* This option would deal with certain of the Congressional concerns that might arise from the sale of U.S. reactors or nuclear fuel to Iran. Under this option, the U.S. veto rights over reprocessing, fabrication and storage of U.S. material and plutonium produced from the use of U.S. supplied material or equipment would give us the option either of insisting upon external reprocessing and storage or of setting standards for internal disposition and possible construction of a multilateral reprocessing plant in Iran. Although we would lose the assurance of external disposition of plutonium and the “buy-back” option, we would nevertheless be able to minimize proliferation risks associated with U.S.-supplied fuel and reactors. Mutually agreed measures regarding physical security, as in Option 2, would help reduce our concerns in this regard.

*Disadvantages:* The Shah might strenuously object to having Iran, an NPT signatory and a nation with which we have a special relationship, treated differently from the countries with which we have standard agreements, although we could again present these features as less restrictive than the proposed Egypt/Israel agreements and as the “new standard” for agreements, and state that NPT status will strongly influence the way they are implemented—that is, in terms of how we interpret the U.S. veto. (We realize that general U.S. policy in this field has not been established but this is being studied in the context of proposed discussion with other key suppliers.) This option or one more severe might alienate him toward the U.S. as a supplier of enriched fuel and nuclear power plants. We would take some risk that we would lose Iran’s investment in a U.S. private enrichment plant, and might lose the

sale of enrichment services and the leverage we are able to gain because of them. More generally, we could run the risk of alienating other NPT parties, deterring future signatures or ratifications by establishing a precedent of requiring supplementary bilateral provisions for an NPT signatory, and being seen as calling IAEA safeguards into question.

*Option Four: Tightened Conditions Identical to the Proposed Israel/Egypt Agreements*

*Advantages:* Congress would be pleased. All possible loose ends would be tied down in limiting the quantities of plutonium associated with U.S. fuel or reactors located in Iran and gaining assurance over physical protection.

*Disadvantages:* Same, but more so, as in Option Three. Tightening of physical security requirements might not be well received, but the extension of the special conditions to explicitly *preclude* reprocessing, fabrication, and storage of U.S. fuel and plutonium produced from U.S. fuel or equipment in Iran would be seen by the Shah as especially onerous. Further, the lack of any preferential treatment for Iran compared to Israel and Egypt would be a negative blow for the NPT, especially in view of the forthcoming Review Conference.

*Recommendation:*

We recommend that we include a set of special conditions in the Agreement with Iran which go beyond the standard agreement but are less stringent than the agreements for Israel and Egypt. Specifically, we recommend, and the Atomic Energy Commission concurs, that you approve submitting to Iran for negotiation the standard agreement for cooperation with the additional bilateral controls set out in *Option Three*.<sup>4</sup>

If you disapprove that, that you approve submitting to Iran for negotiation the standard agreement for cooperation with such additional controls as are set out in:

Option One

Option Two

Option Four

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<sup>4</sup> Kissinger initiated his approval of the recommendation. The decision was communicated to the Embassy in telegram 4497 to Tehran, January 8, 1975. (National Archives, RG 59, Central Foreign Policy Files, D750008–0689) The Joint Committee on Nuclear Energy met in Tehran January 21–22. (Telegram 813 from Tehran, January 28; *ibid.*, D750030–0928)



**92. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, December 16, 1974, 1250Z.

10619. Subj: Iranian Attitudes Towards U.S. Participation in GOI Military Buildup.

*Summary:* We have attempted to evaluate how educated Iranians view the growing presence of American military and civilian experts involved in the large-scale expansion and modernization of Iranian Armed Forces (IIA). What do we face: An increase in nationalistic grumbling, a marked rise in cultural/personal frictions between individuals, or a campaign that includes violent action led by terrorists or students and other political dissidents? As best we can determine, large mass of local opinion is indifferent or only vaguely concerned on issue of IIA buildup and ostensibly reconciled to influx of foreign technicians. At upper, or leadership, end of social/political spectrum there is very positive desire for foreign expertise. At lower end (some students) there is some hostility. Although resentment may grow with enlargement of foreign community, we do not foresee a serious and organized direct threat to U.S. presence and do not believe we should unduly inhibit essential rpt essential defense-related activities in Iran in fear of popular reaction. But Iran is not Texas and we and GOI could have difficulties if latent antagonism comes to fore as an aspect of broader popular discontent. Accordingly, we should not enlarge or activate programs which are merely a convenience to us and which are justified on grounds that GOI would have no objection. We might some day have to deal with changes in attitudes of Iranian public. *End Summary.*

1. *Introduction.* GOI military budget this year is estimated at about \$6.5 billion, over one-quarter of total GOI outlays. Next year's defense costs are set at \$9.3 billion in total budget of \$26.5 billion. We anticipate that this figure will represent a high point and that defense expenditures will begin to level off thereafter. To support initial deliveries of orders for U.S. equipment worth over \$8 billion, there are over 1,000 American military personnel and 1,900 civilian employees of defense-related firms currently involved in IIA modernization and enlargement. While our official community will remain fairly stable, we project number of defense contractor personnel to rise to about 12,000 principals by 1980. We estimate there are now some 16,000 Americans resident in Iran, approximately 13,000 of whom live in Tehran, a city of about 3.5 million. German, British and Russian communities now total

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<sup>1</sup>Source: National Archives, RG 59, Central Foreign Policy Files, D740364–0861. Confidential; Limdis. Repeated to SecDef and UNCINCEUR.

about 5,000 persons each; French, Japanese and Italians have smaller groups. All of these figures will be substantially enlarged by GOI's purchase of expertise for development projects.

2. We have sought to analyze what this expansion in U.S. population, especially in most visible and controversial defense-related groups, might mean for U.S. position in Iran. Obviously, this is a very nebulous subject, but also an important matter that merits continuing examination. We are concerned in this report with educated Iranians, a minority of about 15 per cent, who will be most affected by foreign presence and most aware of implications of military buildup. We are not discussing here majority of bazaar-connected Iranians who are deeply religious, largely conservative in social orientation and also generally anti-foreign in outlook. Our impression, however, is that in this nation of many "new rich," there is a continuing exchange of views between educated and bazaar classes. There is no real communications gap between classes; both bazaaris and educated elites are well aware of attitudes of other group.

3. *Historical background.* Although modern-day nationalism in Iran really began with anti-British tobacco protest of 1891, and British and Russian interference in pre-Reza Shah Iran and their 1941 invasion can still activate strong emotions, there is no recent history of serious xenophobia in Iran. Iran has no colonial past and few of the derivative intellectual hang-ups of some of its neighbors. It has no experience to compare with anti-British riots of Egypt or India. Iranians do not share the disdainful attitude towards outsiders of Saudi Arabia and conservative Arab states. When Iranians have been unhappy with foreigners, as over oil in early fifties and U.S. military legal status in 1964, their principal target has been GOI, not foreigners.

4. It is hard to generalize on actual Iranian attitudes towards Americans. On one hand, there are long lines at our Visa Office and American life styles are everywhere imitated. On other hand, relatively few Americans have close Iranian friends, mainly because Iranians do not seek ties outside traditional extended family circle. Attitudes towards foreigners are further obscured by religious approval of dissembling ("tagiyeh"), tradition of hospitality towards guests, recognition of shortage of skilled manpower and that foreign expertise is essential for development, and firm GOI police control. Thus, ambivalence behind apparently accommodating Iranian attitudes should not be forgotten. As one cynical journalist half jokingly told us, "We welcomed Genghis Khan, but we were never friends. It is the same with you."

##### 5. *Attitudes:*

A. *Leadership.* Shah has plainly stated he welcomes U.S. expertise, not only for its technical qualifications, but because our approach to

hard work can be salutary example for Iranian trainees. His subordinates agree, somewhat defensively, that if Iran is to make rapid progress, it must import skills. Privately, these officials dismiss any possibility of large-scale xenophobic reaction. Adhering to Shah's guidance, Iranian leaders are carrying out policy of large-scale injection of foreign experts over short period, rather than more conservative approach of fewer outsiders over long period as Iranians are trained. Problems may arise if it becomes apparent that large foreign presence will be needed for much longer period of time than originally anticipated.

B. *Military*. In our experience military officers almost never take a position questioning a basic policy of Iran's national leadership. Therefore, no matter what individual officers' true opinions might be, we should not expect an openly unfriendly attitude towards U.S. advisors and technicians. Majority military opinion, we believe, is sincerely supportive of U.S. role. U.S. presence has practical utility for Iranian officers. Americans can handle difficult questions for which Iranians are not qualified or which might involve an Iranian in unpleasant controversy. U.S. advisors often act as a buffer in this way or supply negative response which an Iranian might lack courage to assert. Natural, honest attitude of Americans is also more to Iranian tastes than superior airs of British and French. Attitudes are not completely uncritical, however. We have also noticed tendency among some Iranian officers to resent U.S. advice, particularly when it is volunteered, on grounds that Iran has had sufficient U.S. training and is now experienced and able to make independent decisions. New self-confidence arising from oil wealth and experience sometimes gives this attitude a tinge of arrogance. All too frequently this confidence is based on assumed, rather than actual, expertise. There is a feeling that "We know the technical services we require and can buy them if we choose." This accounts for general popularity of fully GOI-financed TAFT program. It is complemented by attitude that best experience for Iranians is to visit U.S. units and, using Iranian standards, select those aspects of U.S. operations which can work in Iran. In summary, there is tendency to say, "Don't tell us what to do; show us what you have and let us decide what we need."

C. *Civilian*. Some educated Iranians question need for GOI's military buildup and implications of our participation in it. Few seem excited by Iran's changing foreign relations or its role in regional security matters; criticism normally stems from concern for possible effects on Iran's domestic development. Although "guns or butter" is not a debate in financial terms, it is a concern from standpoint of priorities for public works and utilization of limited skilled manpower. These misgivings are generally not given concrete or open formulation, however,

and most critics seem prepared to remain quiet as long as they themselves benefit from Iran's burgeoning revenues. There is a serious skilled management shortage and it is clear to most Iranians that imported foreigners are not taking jobs from them. Some businessmen are active supporters of IIA buildup as important source of income. During last year's cement shortage, many attributed cause to military construction, but few seemed seriously aggrieved.

With Iran's wealth offering so many opportunities, few families with hope for self-advancement select a military career for their sons. Draft is universally resented and avoided where possible. Some student groupings, supported by their professors, strongly object to military expenditures and presence of foreigners, but for political expediency most of them and others in opposition generally remain publicly mute or disguise their attitudes.

Similarly, there have been continuing problems from some abrasive American technicians in conservative Isfahan,<sup>2</sup> but interestingly most complaints to us have come from American or foreign, not Iranian, observers. Most conspicuous sign of U.S. military presence in Tehran is AFRT. It has questionable legal status, but almost never do we hear it criticized. It seems to be accepted as normal component of U.S.A.-Iranian military cooperation. (Since preparation of this cable, NIRT has informally asked that we consider giving it role in AFRT operations).

Only active opposition to U.S. military presence seems to be constituted by small terrorist groups which periodically detonate bombs and commit other acts of violence. To our knowledge, these limited activities generate little sympathy with Iranian public. In summary, to average educated Iranian, how GOI handles IIA buildup is far beyond his knowledge and power to influence. He appears not to feel his interests directly engaged as long as he is doing well economically.

6. *Response of GOI to public attitudes.* Despite its authoritarian character, GOI listens to its public and reacts, at least with rhetoric but increasingly with some substance, to head off problems. Recent measures against inflation and for education and health are examples. Growing foreign presence is not discussed publicly by GOI, but instead emphasis is put on hiring and training Iranians. Similar efforts are being made on military issues: Draft relief for students, big PR campaign for Navy and Army Days. However, on key issues such as military

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<sup>2</sup> In telegram 10745 from Tehran, December 22, the Embassy argued that the contract for support of Iran's new F-14s should include provision for a community in Isfahan to house the American contractor families. The Iranian Government's failure to provide such facilities for Bell Helicopter personnel and the resultant influx of Americans into the wider Isfahan society, the Embassy reported, caused "culture difficulties." (Ibid., D740372-0425)

buildup with foreign assistance, GOI does not take its lead from public opinion and, we expect, would persist with existing policies even in face of greater opposition.

7. *Outlook.* We believe latent anti-foreign feelings will slowly grow stronger as number of foreign experts increases. Some more fisticuffs and far more squabbling with auto drivers, landlords and shopkeepers are naturally to be expected. However, we do not see imminent danger of direct Iranian/foreign confrontations such as organized and recurring physical attacks or widespread and open criticism. Prospect is that attitudes toward IIA buildup and foreign experts will be added to list of grievances against regime, certainly lower on scale than such problems as inflation, corruption, slowness or ineptitude in using oil money for social services, and lack of political freedom. If GOI can keep public relatively satisfied on those problems, it should anticipate no serious difficulties on military policy issues. Greater opening for strong public attitudes could come, however, should GOI intentionally or unintentionally foster anti-Western sentiment over oil price issue. If educated elites should adopt anti-Western position publicly, we may anticipate they will have large following among bazaar classes.

8. Implications for U.S. present attitudes and outlook for the future suggest that we should not be reluctant to pursue programs calling for more Americans in Iran when they are judged to be necessary for important U.S. interests and ties with GOI. However, solid as the ground may appear, there are soft spots which are very hard to assess. There are repressed national sensitivities here which are not favorable to expanded U.S. presence. We should do nothing to aggravate such tendencies, i.e., we should do nothing that is not truly essential for our military interests. That means fewer boondoggling visitors, no unnecessary official or private personnel assigned here, and no programs that merely seem convenient in Iran's apparently favorable atmosphere.<sup>3</sup>

**Helms**

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<sup>3</sup> In telegram 277173 to Tehran, December 18, the Department agreed that this important subject merited continued attention and praised the recommendations as especially useful. (Ibid., D750015–1036)

### 93. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, December 24, 1974, 0538Z.

280710. Subject: Message to Major OPEC Governments.

1. Ambassador is requested to transmit following message from the Secretary to the Shah. FYI: Separate messages along similar lines are being sent to Algiers, Caracas, Jakarta, Jidda, Kuwait and Lagos.<sup>2</sup>

2. *Begin text.* Your Majesty:

3. I wish to share with you a few reflections on developments in energy which have occurred since our conversation in Tehran.<sup>3</sup> Since the start of the energy crisis both producers and consumers, including my own country, have believed that at some point it would be helpful and desirable to supplement intensive bilateral contacts between producers and consumers with some form of multilateral contact. All of us sense that the time for such multilateral contact is drawing nearer.

4. During recent discussions at Martinique, we and the French reached agreement on a proposed approach to such multilateral contacts, an approach which has subsequently been endorsed by members of the International Energy Agency. This approach stipulates that consumer decisions on conservation, the development of alternative supplies of energy, and financial solidarity will be taken in a first phase. Thereafter will follow a preliminary meeting of representatives of producers and consumers to discuss agenda and procedure, intensive preparation of common positions, and the holding of a producer/consumer conference.<sup>4</sup>

5. We have stressed the necessity of strong consumer decisions as the indispensable first step in this process because we believe that without them the objective conditions for success of a multilateral dialogue between producers and consumers do not exist. A failed conference would be seriously detrimental to all of us. Both these points, I be-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran—State Department Telegrams, From SECSTATE–NODIS (2). Secret; Immediate; Nodis. Drafted by Paul D. Taylor and Lawrence J. Raicht (EB/ORF/FSE); cleared by Enders, Helmut Sonnenfeldt (C), Atherton, James M. Pope (AF), and Edward C. Ingraham (EA); and approved by Kissinger.

<sup>2</sup> Telegram 280711 to these capitals, December 23. (National Archives, RG 59, Central Foreign Policy Files)

<sup>3</sup> See Documents 87 and 89.

<sup>4</sup> For the record of the December 15 discussion of oil prices and energy at Martinique and documentation on the first preparatory conference (Prepcon) of producers and consumers, see *Foreign Relations*, 1969–1976, volume XXXVII, Energy Crisis, 1974–1980.

lieve, correspond to views which you have so eloquently and forcefully expressed in public and in private during the past year.

6. That is not to say that we believe that the consumers alone can solve the energy crisis, or that we think that it can be approached most effectively on a bloc to bloc basis, or above all, that we seek a confrontation with the producing countries. Confrontation between producers and consumers would serve the interest of no one except the Soviets. And there is clearly no way in which the energy crisis can be solved without the full and open cooperation of all major producers and consumers. In this regard, I think it important that our own bilateral dialogue be deepened and enriched in every possible way. As one step in that direction, I have asked former Secretary of the Treasury George Shultz, who has the complete confidence of the President and myself, to conduct the conversation on various aspects of the energy problem which we talked about in Tehran. He is prepared to visit Tehran, or elsewhere if that were more convenient, at a time acceptable to you.

7. Within our own government, President Ford is now completing a series of major decisions on domestic energy policy. We expect these decisions to be announced towards the end of January, probably in a speech immediately after the State of the Union message. I believe they will make a significant contribution to the solution of the world energy problem.

8. Your Majesty, in conclusion let me say how pleased we are to learn of the important new measures you plan to help meet the world food crisis.<sup>5</sup> Ambassador Helms informs me of your decision to pursue vigorous measures, notably in the field of fertilizer production in the region, to help alleviate the threat of famine in neighboring countries. This cooperative effort can become a central feature of the work of the Joint Commission in forthcoming months.

9. With warm regards, sincerely, Henry A. Kissinger. *End text.*

**Kissinger**

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<sup>5</sup> See footnote 9, Document 89.

94. **Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, December 28, 1974, 1845Z.

283040. Subject: Oral Message for the Shah. For the Chargé from the Acting Secretary.

1. Please deliver the following oral message from Secretary Kissinger to the Shah:

2. I am pleased to inform you that, following up on our discussions during my recent visit to Iran, we have now completed arrangements for joint US-Iranian production of the TOW missile.<sup>2</sup> Some formalities remain to be concluded within the US Government, but that should be successfully worked out within the next several weeks, at which time our Department of Defense will be in touch with the appropriate Iranian military authorities to conclude and formalize agreement on TOW missile co-production. I wanted Your Majesty to have this word from me in advance of the official approach by the Department of Defense to your military authorities since I look upon this arrangement as a useful step in developing even further the bilateral cooperation between Iran and the United States that we both consider so important.

**Brown**

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran—State Department Telegrams, From SECSTATE–NODIS (2). Secret; Immediate; Nodis. Drafted and approved by Eagleburger.

<sup>2</sup> In backchannel message WH43619 to Helms, December 20, Scowcroft indicated that he could not send Helms information on TOW co-production for the Shah until the Under Secretaries Committee study was completed. The administration needed to move carefully, he noted, since co-production, particularly with an oil producer, aroused domestic political sensitivities over employment, balance of payments, and competition. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa) The next day, in backchannel message WH43622 to Helms, Scowcroft wrote that “there are whispers that Henry promised the Shah co-production of the TOW.” He promised to verify the facts with Kissinger and report back. (Ibid.)

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95. **Editorial Note**

Following the Rabat Summit in October 1974, U.S.-Iranian exchanges on the Arab-Israeli crisis increased. According to telegram Secto 583/1969 from Jerusalem, November 8, Secretary of State Henry Kissinger reported to the Shah that although no negotiations over the



West Bank were immediately feasible, an Israeli-Egyptian settlement might be possible. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 4 January–23 March 1975)

On the eve of the Shah's trip to Moscow, Kissinger elaborated in a message to the Shah, sent in telegram 253473 to Tehran, November 16, that Israeli leaders refused to negotiate with the Palestine Liberation Organization over the West Bank, but that all parties wished the United States to try to restart negotiations. Kissinger invited the Shah's input on Egyptian-Israeli contacts. (National Archives, RG 59, Central Foreign Policy Files, P850017–2108) Several hours later, in telegram 253511 to Tehran, Kissinger sent a warning to the Shah, and presumably the Soviet Union, that the Israelis had called up a small number of reservists in response to Syrian military preparations. The Secretary noted that although he had received Syria's assurance that it would not initiate hostilities, the possibility of fighting could not be ruled out due to the high state of military readiness. (*Ibid.*, P840176–0603)

On November 25, following President Ford's summit with Soviet General Secretary Leonid Brezhnev in Vladivostok, Kissinger sent the Shah an update. He reported in telegram Secto 171 that Ford had privately emphasized the importance of laying groundwork prior to further diplomacy in the Middle East, but agreed that progress had to be made swiftly, and publicly acknowledged with Brezhnev that the legitimate interests of the Palestinian people had to be taken into account. Kissinger also announced that he would continue his pre-negotiation consultations. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological Files, 6 October–30 December 1974)

For his part, the Shah urged U.S. officials to look to Egyptian President Anwar Sadat for a resolution to the Middle East dispute. On December 7, in backchannel message 44, Helms transmitted to Kissinger a message from Sadat to the Shah that the latter had provided. Sadat expressed his eagerness for peace, starting with Israeli withdrawal from parts of the Sinai, including the oil wells at Abu Rudeis. Helms reported the Shah's conviction that this was "an unhopd for opportunity" since "no one expected Sadat to be so forthcoming." (*Ibid.*) According to telegram 14874 from Beirut, December 12, in an interview with a local independent weekly, the Shah warned that Israel must agree to implement UN resolutions at the next stage of peace talks or face renewed war with the Arabs. The next war, he noted, "will be our war this time, and none of us will have any choice." The Shah regretted that the Israelis had not met Sadat, "a great man and peace lover," half-way, and that the United States had failed to help Egypt. (National Archives, RG 59, Central Foreign Policy Files, D740361–0634)

The Shah's threat was picked up by the Washington press. In telegram 272843 to Tehran, December 12, the Department requested the Embassy's reaction to a *Washington Post* comment that "The Shah of Iran was quoted today as saying his heavily armed country would join a war against Israel if the Middle East crisis was not resolved in accord with UN resolutions." (Ibid., D740361–0619) In telegram 10534 from Tehran, December 13, the Embassy maintained that the Shah's "assistance would not extend much beyond what he provided during the 1973 war and would be confined largely to political psychological support." (Ibid., D740362–0444) Khalatbari's denial that Iran would go to war against Israel, despite Iran's Arab sympathies, was conveyed in telegram 10537 from Tehran, December 14. (Ibid., D740364–0194)

On December 26, a UPI report based on an article from the Lebanese press indicated that Iran planned to provide Egypt with several kinds of weapons and pilot training. Telegram 10870 from Tehran, also December 26, quoted Khalatbary as saying that Iran had no intention of giving arms to Egypt. The Embassy surmised that the Beirut paper was trying to demonstrate Israel's isolation from former friends like Iran. (Ibid., D740374–1085) Ultimately, repeated press speculation led the Embassy to reaffirm in telegram 1733 from Tehran, February 23, 1975, that Iran had not changed its even-handed policy toward the Arab-Israeli conflict or its commitment to Israel's survival, but had altered its tone in order to promote peace talks. (Ibid., D750064–0177)

On December 22, in backchannel message 55 to Kissinger, Helms conveyed the Shah's offer to carry a message from Washington to Sadat during his January 8–11 visit to Egypt. Helms repeated the Shah's "strong conviction that the Israelis should accept President Sadat's most recent proposition as being by all odds the best they could get." (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 12/74)

Kissinger responded with a message to the Shah, transmitted in telegram 1948 to Tehran, January 4, 1975, that the central issue was to find the appropriate relationship between Israeli withdrawal from Egyptian territory and the political content of an Israeli-Egyptian agreement. A full-scale conference in the absence of this step-by-step process, as the Soviets wanted, would only produce stalemate, he warned. Kissinger also registered concern about "a possible Egyptian tendency again to balance the Soviets off against the US." The threat of the re-introduction of Soviet influence in Egypt would force the United States to demonstrate Soviet impotence to produce peace in the Middle East, resulting in another stalemate and "probable confrontation in which Israel would be likely to score further military gains." Kissinger invited the Shah to share these thoughts with Sadat. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran,

Chronological Files, 4 January–23 March 1975) In telegram 5170 to Cairo, January 9, Kissinger directed Ambassador Hermann Eilts to reiterate the Department's position to the Shah, who was then in Cairo: "Principal point to get across is not that we feel that Sadat to date has sought to play U.S. and Soviets against one another but that he should resist any temptation to do so." (Ibid., P850014–1437)

Following his talks in Egypt, the Shah sent Kissinger a personal letter on January 11, reporting that Sadat sought a completely independent foreign policy. "His whole approach to the Africa problem, North Africa and the Mediterranean is very anti-communist. He is even aware of the possible danger of the Palestinians." More to the point, Sadat was willing to accept an Israeli withdrawal from the Sinai alone. The Shah warned that it would be "a historical mistake" not to assist Egypt, adding that he was sure Sadat was "not trying to play the United States against the Soviet Union or vice versa." He asked Kissinger to pass along to the Israelis his hope that they would not miss this "golden opportunity." (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological Files, 4 January–23 March 1975) In a brief reply sent through Director of Central Intelligence Colby, January 15, Kissinger suggested that it would be helpful "at the present critical juncture" for the Shah to convey these ideas to the Israelis himself. (Ibid.) A more general report on the Shah's talks with Sadat was sent in telegram 501 from Tehran, January 17. (National Archives, RG 59, Central Foreign Policy Files, D750018–0928)

The Shah sent Kissinger another message from Sadat, transmitted in telegram 109 from Zurich, February 20, that indicated that if Israel withdrew from the Sinai, Sadat would be willing to confront the Syrians and Palestinians if necessary. (Ibid., P840125–1066) In telegram Secto 477/651 from Jerusalem, March 22, however, Kissinger sent a message that advised the Shah that he was suspending his negotiating effort, because "the gap between the Israeli and Egyptian perceptions of what their interests require is too great to be bridged at this time." (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological Files, 4 January–23 March, 1975) The Embassy later reported in telegram 3868 from Tehran, April 27, that during Sadat's April 23–24 visit to Iran, the Shah had voiced full support for Egypt's willingness to sign a peace treaty with Israel on the basis of the 1967 borders. Local press comment indicated that the meeting was the first of many, necessitated by the failure of Kissinger's step-by-step diplomacy in the Middle East and Israeli intransigence. (National Archives, RG 59, Central Foreign Policy Files, D750147–1025)

Documentation on the Arab-Israeli dispute during this time period and U.S. attempts to negotiate a peace settlement are in *Foreign Relations, 1969–1976*, volume XXVI, Arab-Israeli Dispute, 1974–1976.

96. **Telegram From the Department of State to the Embassy in Jordan<sup>1</sup>**

Washington, January 7, 1975, 0216Z.

2683. Subject: Message from Secretary for Shah on *Business Week* interview.

1. Please pass to Shah of Iran the following message from the Secretary.

2. *Begin text:*

Your Imperial Majesty:

There has been considerable public speculation regarding the remarks I made about oil in the interview I gave recently to *Business Week*.<sup>2</sup> I would like you to have these further comments from me directly so that you will understand the context and intent of my remarks.

As you will have noted from the text of the interview, the question of the possible use of force came up with specific relation to oil prices. I sought to make it clear that we did not consider military action to be an appropriate response to the problem of oil prices. I also specifically rejected the thought which some have suggested that massive political warfare might be used against Iran or other of our friends in order to bring prices down immediately.

Since the interviewer had raised the possibility of some sort of military action as an answer to the oil problem, I had to respond to that point. You will have seen, from examining the text, that I did so in the context of a hypothetical situation in which there was some deliberate attempt to strangle the industrial world.<sup>3</sup> Although I did not say so explicitly in the interview, I think such a situation could arise if there were a prolonged embargo by oil exporting countries, constituting a

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 4 January–23 March 1975. Secret; Immediate; Nodis. Drafted by Sober, cleared by Atherton and Sisco, and approved by Kissinger. Repeated Immediate to Tehran.

<sup>2</sup> On January 3, *The New York Times* reported that Kissinger, in an interview with *Business Week* magazine shortly before Christmas, said that he could not rule out the use of force against oil-producing nations. The article, entitled "Kissinger on Oil, Food, and Trade," appeared in the January 13 edition of *Business Week*, pp. 66–76. The transcript of the interview is printed in the Department of State *Bulletin*, January 27, 1975, pp. 97–106.

<sup>3</sup> In response to the question of whether he had considered military action on oil prices, Kissinger said that it would be a very dangerous course: "I am not saying that there's no circumstance where we would not use force. But it is one thing to use it in the case of a dispute over price, it's another where there's some actual strangulation of the industrialized world." He added that force would be considered "only in the gravest emergency."

grave act of economic warfare. In the interview itself, I sought to deal frankly and realistically with this question and therefore could not rule out military action under any and all future circumstances. At the same time I made it very clear that the use of force would be considered only in the gravest national emergency. In commenting to the press here last week, I said I did not foresee such a situation arising.<sup>4</sup>

It is my hope, Your Majesty, that my remarks will serve to put this issue in some perspective because there has been a lot of loose talk around the world about possible military action as the way to resolve the oil problem.<sup>5</sup>

In any event, while we indeed would have to take a very serious view of an effort to bring down the industrialized world by shutting off oil supplies, the reference was of course to last year's oil embargo and current speculation about a future embargo, in which Iran has had no part. My remarks were in no sense directed at Iran. Beyond that, you are well aware of the very high esteem in which Your Majesty is held by President Ford—a feeling which you know I share fully—and the extreme importance which we attach to the continuance of the warm, co-operative relations between our two countries.

I wish to take this occasion, finally, to wish Your Majesty a successful visit to Jordan and Egypt.

With warm regards, Sincerely,

Henry A. Kissinger

*End text.*

**Kissinger**

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<sup>4</sup> Kissinger's January 3 comments to the press were reported in *The New York Times*, January 4, 1975.

<sup>5</sup> Telegram 363 from Tehran, January 14, reported on the articles circulating in the Iranian press alleging that the Secretary had threatened oil producers with the use of force. (National Archives, RG 59, Central Foreign Policy Files, D750013–1197)

97. **Memorandum From the Assistant Secretary of Defense for International Security Affairs (Ellsworth) to Secretary of Defense Schlesinger<sup>1</sup>**

Washington, January 8, 1975.

SUBJECT

P-3 Operations from Bandar Abbas, Iran

The P-3 flights out of Bandar Abbas, which were initiated to support our Naval Task Group's entry into the Indian Ocean in November 1973, have continued regularly since that time irrespective of whether carrier or other task groups have been operating in the Indian Ocean.

The flights were originally justified on the basis of an emergency situation and, to the Shah, also in the context of training Iranian officers. The purpose of this memorandum is to assess the value being derived from the flights, and to address the policy implications arising from their continuance on what appears to be a self-perpetuating basis.

We asked the JCS to address this issue and to answer a number of specific questions (Tab A). The Chiefs' response (Tab B) listed three major reasons for continuing the flights:

- They provide direct support for major US naval units operating in the Indian Ocean;
- They collect valuable regional acoustic and oceanographic data;
- They assist in development of accurate shipping and other environmental forecast data bases.

Separately, we asked PA&E to review the available data and try to evaluate the importance of these flights. Their response (Tab C) indicates that analysis of operational data tends to validate the first JCS argument, but does not substantiate the other two. Interestingly, PA&E finds that a total of only 36 Iranian personnel have participated in these P-3 flights and less than 2% of the flights were conducted strictly for training.

A further relevant factor is the presence of a Soviet trawler off Bandar Abbas, which took up station after the flights began and has stayed ever since—apparently to monitor them. There are grounds to suspect (though it cannot be documented) that the Soviet Navy is building a record of this activity which could be used, for example, to press its own leadership to initiate Soviet reconnaissance flights into

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<sup>1</sup>Source: Washington National Records Center, OASD/ISA Files: FRC 330-78-0038, Box 18, Iran 334-400.13, 1975. Secret. Prepared by Noyes. None of the Tabs is attached.

the Indian Ocean, either from Soviet bases in Central Asia or from Somalia. Thus the Shah could be confronted with a decision whether to deny Soviet overflight rights for reconnaissance aircraft while permitting US patrol planes to operate from Iranian airfields.

In our view, the case for continuing the flights is not particularly impressive. Under normal circumstances we would recommend that the flights be conducted on an intermittent basis in order (1) to be consistent with your stated policy of more frequent ship visits into the Indian Ocean but not necessarily a larger permanent presence; (2) to avoid Congressional and public criticism that is bound to arise at the point it becomes known that we have in fact significantly increased our activity in the area by basing P-3's in Iran; (3) to avoid the addition of another factor which gives the Shah leverage over us. Clearly, there are many advantages arising from a posture of "occasional flights" versus "permanent basing." At the same time, some operational disadvantages would accompany the irregular pattern.

In view of the proposed deployment of USS *Enterprise* to the Indian Ocean in January, which would normally be accompanied by an increase in the frequency of P-3 support flights, together with the anticipated Brezhnev visit to the Middle East and the possible increase in tension which may result, we recommend that the flights be continued on a regular basis for the immediate future. Upon completion of this current activity, we will re-examine the question of P-3 operations from Bandar Abbas with regard to the long-term continuation of these flights.

**Robert Ellsworth<sup>2</sup>**

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<sup>2</sup> Printed from a copy with this typed signature and an indication that Ellsworth signed the original.

98. **Memorandum From Clinton E. Granger and Robert B. Oakley of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, January 17, 1975.

SUBJECT

USC Study and Recommendations on Co-Production in Iran

Deputy Secretary Ingersoll has forwarded to the President the study and recommendations of the Under Secretaries Committee on co-production of defense articles in Iran (Tab B).<sup>2</sup>

The USC was requested on October 8, 1974,<sup>3</sup> to:

- Analyse the impact of co-production on our relations with Iran,
- Estimate the growth of co-production projects in Iran,
- Examine economic and political problems raised by co-production in Iran as well as in the U.S., and
- Devise a set of guidelines for the review of specific projects.

The study was needed to assure the success of co-production as a useful and innovative adjunct to our overall military supply relationship with Iran. It was widely recognized that, without such a thoroughgoing and realistic study, there was a considerable danger that co-production could quickly:

- Cause serious Iranian disappointment,
- Pose very troublesome problems of management, and
- Become embroiled in domestic controversy in the U.S.

The deadline of the study repeatedly slipped due to disagreements among the participating agencies and shortcomings of analysis. *Despite the lengthy period, we feel the study is still not fully responsive or useful.* In particular, the study:

- Lacks an estimate of what co-production will involve in money, manpower, and time in specific, quantitative terms,
- Combines all views, however contradictory, with little emphasis on their relative importance,
- Ignores or undervalues difficulties, and overstates advantages,
- Provides no clear guidelines, and

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 74, Under Secretaries Committee, NSC-U/DM-131, Co-Production in Iran (1). Secret. Sent for action.

<sup>2</sup> Attached but not printed.

<sup>3</sup> See Document 79 and footnote 5 thereto.



—Repeatedly suggests that we have little option to approving Iranian requests because other nations can provide the same services and the Shah will misread our intentions, with a negative impact on the fundamental U.S.-Iranian relationship.

Some of the individual items requested for co-production when the study was begun have by now been approved on an ad hoc basis. Nevertheless, a good study would still be valuable since it could be used as a basis for:

—Discussing with Congress any domestic extensions of co-production with Iran;

—Discussing with the Iranians what practical difficulties we both face as co-production moves forward;

—Evaluating future co-production requests which we will almost certainly be getting from Iran (e.g., the YF-16), and

—Deciding on how to deal with co-production programs with other countries.

As we see it, there are three alternatives open for you in handling the current version of the study:

—Ask the USC to re-do it with a precise time limit (State has primary action),

—Give a special working group, chaired by the NSC staff, ten days to recast the study before it is submitted to the President, and

—Have the President approve the study as it is or simply let it die. In either case this means we would proceed on a case-by-case basis with no basis for thorough, thoughtful analysis of the implications of co-production and no study which would be the general basis for considering all individual requests from Iran and could also provide useful guidelines for other countries.

On balance, *we prefer the second course*, as promising to be quicker and easier, given conflicting agency points of view. The *third course* would be, we believe, a mistake since the USG would find it very difficult to anticipate the theoretical and practical limits and consequences of our actions. This would not serve our interests abroad, as it could lead to misunderstandings with the Shah, and at home it could open us to serious charges of depressing U.S. trade and employment by exporting production without studying the domestic effect. Moreover, it is likely to create problems with those agencies who expressed reservations about the study (e.g., Labor and Treasury). The *first course* is a possibility, although the record to date suggests it will be little easier to re-do the study properly than it was to do the study in the first place.

*At Tab A* is a memorandum to the Chairman of the Under Secretaries Committee directing him to assign a representative to an NSC-chaired Special Review Committee for Co-Production in Iran. *The*

*memo outlines specific steps which are needed to correct deficiencies, as outlined below:*

1. *Co-Production and the U.S.-Iranian military supply relationship.*

USC study asserts that “co-production could give us increased influence—and potentially longer term leverage—should the Shah or his successor embark on policies contrary to U.S. interests.”

In support of this view the study argues that:

—“The Shah views our response to his co-production requests as a very important political indicator for future U.S.-Iranian cooperation,” and

—co-production is “visible evidence of the closeness of our political ties,” and

—“In approving co-production programs the U.S. will have passed a new threshold” in its special relationship with Iran.

*We are sceptical.* Although co-production will add a new dimension to our military supply relationship, our potential leverage and influence will continue to rest on other bases.

For instance, *co-production is most unlikely at any time in the foreseeable future to replace sales as the chief means of Iranian procurement of weapons*, and thus will not add much to our overall security relationship nor give us any significant increase in potential leverage.

—This year Iran bought \$4.0 billion in arms from the U.S. Estimates of sales over the next three years are \$15 billion. Co-production projects in the same period are unlikely to exceed \$2 billion in value at the maximum. We think it may be much less (under \$0.5 billion).

—Co-production will continue to struggle against the limits of skilled Iranian manpower to produce even these few defense articles. Iran will not gain much independence in arms supply when it must import almost all component and most skilled personnel. Assembly is likely to be the rule rather than manufacture, and the chief benefits of co-production to Iran are likely to be prestige and a slowly growing pool of technical manpower. These benefits will be qualified, however, by the large number of U.S. managers and technicians needed to operate new plants in Iran.

—Iranians will not want to depend too heavily on co-production. They are buying from us, as complete systems, the same weapons they propose to co-produce, to give themselves a hedge against industrial and technical failure. Co-production will cost from 50% to 100% more than purchase of the same weapons systems.

The USC view, moreover, suggests there is little alternative to approving any request the Shah makes. It is true that an attempt to manipulate co-production projects—unless we are also willing to manipulate our overall military supply relationship—will result in little more

than Iranian anger. But, having demonstrated our bona fides by approving several co-production projects, we believe we are in a position *systematically and rationally to explore with Iran the limits and problems of co-production*. We can—and should—decline to approve projects which are likely to fail or badly disappoint the Shah or create serious problems with Congress or the public for U.S.-Iranian relations.

*We believe* the question of our leverage—and the importance of co-production within the context of our over-all security relationship—should be analyzed much more carefully than in the present study, and recommendations to the President should reflect this analysis.

2. *The Limits of the Growth of Co-production*. The study fails completely to estimate how far we could go in approving co-production projects. There is no quantitative analysis of the size or number of projects, the impact on employment in the U.S. and Iran, the impact on our respective balances of payments and U.S. and Iranian investment.

Mr. Ingersoll states that, although he has been unable to obtain any figures, he has directed the Department of State to continue this part of the study.

*We believe* quantitative estimates should be a corporate part of the rest of the study, and a basis for USC recommendations. A rough factual basis can be made within a few days. Without any factual basis, the other problems of co-production could quickly snowball. Inter alia, members of Congress and labor representatives may well produce figures aimed to show the depressing effect of co-production on U.S. employment and trade. We must have some factual basis of reply. (The Department of Labor, noting the absence of this data, objects to Mr. Ingersoll's conclusion that co-production, in the short-run, will have a favorable impact on our economy.)

3. *Problems of Co-Production*.

The problems of co-production will be numerous and large:

—The Shah will want clear reasons if we refuse to approve any particular request.

—We will be reluctant to give Iran permission for sale to third countries, and the Shah should understand this situation from the outset if later misunderstandings are to be avoided.

—Weapons assembled in whole or part may not prove as reliable as U.S. manufactured weapons. They will cost more, and could take measurably longer to produce than U.S.-made weapons. The Shah needs to understand this.

—Iran may want some co-production systems and particularly production processes which will reduce the U.S. technological lead, U.S. readiness or production base, and possibly the difficulty of an adversary who wishes to develop counter-measures to our weapon

systems. Iranians should understand this particular U.S. concern from the outset.

—Iran will want direct USG participation in and responsibility for contract management while we will generally want to shift these burdens entirely to a U.S. defense contractor, the GOI. Given the problems already arising with the Bell co-production project, it is evident that this can be a cause of considerable USG–GOI friction if not understood at the outset. At present the guidelines cover only co-production under FMS procedures, ignoring commercial licensing procedures. FMS management of Iran's arms industry will eat up USG staff as well as saddle us with difficulties and unwanted responsibilities. (Treasury objects to FMS procedures.)

—The lack of Iranian skills and management experience will limit and impede co-production projects at every turn and require very large communities of U.S. technicians for successful operation. This will conflict with the Iranian hope for their own prestige and development of skilled manpower.

Among Iranians, the scope of the difficulties in co-production are underestimated, with the result that, over time, co-production could erode our good mutual relations rather than strengthen them. Iranian disappointment is likely, and we should plan to contain this disappointment through early frank discussions and continuing cooperation in order to protect our bilateral relations and preserve our reputation as a reliable partner in security.

The study does not ignore the problems of co-production but consistently states them with undue optimism and generality. Furthermore, the study makes no specific recommendations on how to deal with the various problems. For instance, the study now concludes:

—“Political benefits will depend in part on resolution of significant technical and managerial problems,” and

—“The inevitable technical difficulties, skilled manpower shortages, and low technical and educational levels in Iran pose risks of disappointment with co-production proposals which, given the Shah's expectations and ambitions, could damage bilateral relations. The U.S. must closely monitor these projects, which poses difficulties in itself, and insure that the Shah is apprised of potential difficulties and limitations.”

#### 4. *Guidelines*

The USC recommendations simply say approval should be on a case-by-case basis and that existing “guidelines should be amended to cover sales of co-production and take account of the new management and other problems considered in this study.”

The recommendations do not otherwise define how the guidelines, which were adopted in 1973, should be amended. We feel that each of

the problems identified earlier should be specifically and unambiguously analyzed and, in [each] case, recommendations made to the President as a basis for a revised set of guidelines.

Recommendations should also address the procedures for approval within the USG. The existing guidelines would leave the changes in the hands of the SAPRC head, Mr. Carlyle Maw. We think this is satisfactory. *Treasury objects*, however, and a clear set of options should be provided to enable the bureaucracy to pull together in the future.

The memo at Tab A<sup>4</sup> to the Chairman of the Under Secretaries Committee draws on the above analysis in recommending improvements in the present study. The memo directs Mr. Ingersoll to appoint a representative to a Special Review Committee for Co-production to produce, *within ten days*, a revised co-production draft for submission to the President. The Committee will be chaired by Colonel Granger of the NSC Planning Staff.

*Recommendation*

That you sign the memo at Tab A.<sup>5</sup>

Approve

Disapprove (I prefer to ask the USC to re-do the study.)

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<sup>4</sup> Attached but not printed.

<sup>5</sup> Kissinger did not approve either option, but a revised version of the memorandum at Tab A was sent to the Under Secretaries Committee. See Document 101.

**99. Memorandum From the Assistant Secretary of Defense for Program Analysis and Evaluation (Sullivan) to Secretary of Defense Schlesinger and the Deputy Secretary of Defense (Clements)<sup>1</sup>**

Washington, January 23, 1975.

**SUBJECT**

The Growing U.S. Involvement in Iran

As you know, I have been concerned for some time about the growing U.S. involvement in Iran, fearing both that the U.S. presence might become too large, and the equipment too sophisticated for the Iranians to handle without repercussions. The attached paper<sup>2</sup> attempts to show the present and projected American involvement through FY 80.

The American community in Iran currently totals about 17,000, up dramatically from 11,000 in mid-1973 and nearly triple the American population in Iran in 1970. About 68 percent of the community (11,400) is directly or indirectly associated with defense.

—The largest proportion is civilian defense contractors/technicians (2700) and dependents (5400) who support recent large scale foreign military sales (FMS) to Iran by the U.S.

—They are complemented by 1100 uniformed DOD personnel who serve in the Military Assistance Advisory Group (200), Technical Assistance Field Teams (660) and provide administrative and logistic support (240). With dependents and civilian employees, the DOD American community in Iran totals 3300.

—Americans once concentrated only in Tehran and the southern oil production areas are now appearing in large numbers in the major population centers of Shiraz and Esfahan.

The increase in size and changes in the distribution of Americans in Iran result from a 1972 Presidential decision to provide advanced weapons systems and uniformed technical assistance personnel to Iran.

—Generally, technical assistance personnel associated with an FMS case arrive in country from 18 to 30 months after the order is placed. With almost \$6 billion of FMS expenditures in FY 73 and FY 74, inputs of large numbers of technical assistance personnel are underway

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<sup>1</sup> Source: Washington National Records Center, OASD Files: FRC 330-78-0058, Box 66, Iran 091.3, 1975. Secret; Sensitive.

<sup>2</sup> Attached but not printed.

and likely to continue for the next several years. Accordingly, we estimate the American community will be at least 50,000 by 1980.

—There will be about 11,250 civilian defense contractors in Iran by FY 80 with the civilian defense oriented community growing to about 34,000 (including dependents).

—Coproduction of U.S. weapons systems in Iran, Iranian acquisition of large military communications and air defense packages, and further DOD acceptance of responsibility for successful management of Iranian FMS programs may require greater inputs of Americans.

—Similarly the numbers of Americans in the non-defense commercial sector will grow reflecting Iran's critical shortage of skilled manpower.

Our increasing involvement in Iran raises the following issues:

—By furnishing arms and technical expertise the U.S. Government faces some risk that it will be enmeshed in Iranian military adventures.

—The influx of Americans may create serious interpersonal problems in Iran leading to pressures for more stringent applications of Iranian justice to Americans and making Americans the target for expressions of xenophobic feeling or political dissent.

—Should the Iranians fail to meet their ambitious modernization goals their frustrations could be directed against the U.S. Government. At worst, we might be expelled as the Soviets were from the UAR. More likely would be a gradual erosion in the relationship and a mutual loss of confidence that seriously impaired American influence in Iran.

Part I of the attached paper provides an overview of U.S. involvement in Iran; Part II provides a comprehensive catalogue of the programs and activities in which Americans are engaged in the country.

**Leonard Sullivan, Jr.**

## 100. Memorandum of Conversation<sup>1</sup>

Washington, February 7, 1975, 3:35–4:55 p.m.

### PARTICIPANTS

President Ford

George Shultz

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs

Charles Robinson, Under Secretary of State for Economic Affairs

Lt. Gen. Brent Scowcroft, Deputy Assistant to the President for National Security  
Affairs

President: Fill me in.

Shultz: I had two missions. One with the Shah, whom I met in Switzerland,<sup>2</sup> and one with the small group of Five, which was set up at Schmidt's suggestion.

The Shah was very cordial and anxious to do what he could to be friendly. It was a beautiful setting in St. Moritz. We talked for an hour and a half. He is a broad-gauge, secure, and very impressive man.

President: Where was he educated?

Kissinger: In Switzerland. He is very tough-minded.

Shultz: He mentioned coming here on May 16. I have three categories of points to convey. First is points the Shah wanted to make to the President. He wanted to know what we thought about the U.S. agreeing to take specific amounts of oil from Iran.

President: At what price?

Shultz: That wasn't discussed. But he said to me: "Why are you buying from Saudi Arabia when I haven't used oil as a weapon?"

Separately I raised the Roosa plan.<sup>3</sup> He said it was interesting but he wouldn't have any money to invest because his liftings were down by 16%.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 9. Secret. The meeting was held in the Oval Office.

<sup>2</sup> Shultz met with the Shah in St. Moritz on January 31 to discuss energy issues. Regarding Shultz's mission, see Document 93.

<sup>3</sup> Former Under Secretary of the Treasury for Monetary Affairs Robert V. Roosa had recommended an OPEC Mutual Investment Trust in the January issue of *Foreign Affairs*. By limiting concentrated investment by OPEC members in a single company, industry, or country, the trust would allay fears of OPEC control of Western corporations. The proposal attracted the attention of Kissinger, who wrote to Shultz in an unnumbered cable to London and Zurich, January 30, asking him to elicit the Shah's reaction to the plan. (National Archives, RG 59, Central Foreign Policy Files, P830114–1618) The Department transmitted a paper to Shultz on the Roosa Proposal, prepared by Roosa's staff, in telegram 22606 to London and Zurich, January 31. (Ibid., P850093–2440)



Back in the early days of the Administration we recommended a fee system like you have put in. The Shah told me then he offered to fill our Salt Dome for \$1.00 a barrel.

Kissinger: That's an interesting proposition. A lower price over a long period would be a way of breaking the cartel.

Shultz: That was the first point.

Secondly, he feels the U.S. should regard Iran as her country in the Middle East. It is important to the United States that Iran develops—Iran is a western country. He places great value on the Joint Commission. He is aiming at putting out 17 million tons of steel.

Third, he wanted to express his personal esteem for you and Secretary Kissinger. He regarded my visit as a symbol of your friendship.

Fourth, he is looking forward to his visit here in May.

Kissinger: We are looking to put together a \$10 billion program of investment with Iran. We'll have a preliminary agreement by March and have a signature during his visit. I agree: he is profoundly a friend of the United States. He is a cold-blooded realist. He needs the money and there is a level below which he won't cut the price.

Shultz: He wanted to register these general points: First, the era of cheap energy is over. I told him the price could erode. He calls oil a noble resource, because of its many uses. He understood the implications of the fee system but had decided not to comment because it would have made it difficult for you.

Second, he said he hopes to develop nuclear energy for Iran.

Third, he said that inflation in the West is bad for everybody. He is pessimistic—especially about Britain and Italy. He says the British don't want to work any more; if they did, they wouldn't have inflation. I told him there were different types of inflation. I said your program basically was to fight inflation and you would stick to it.

Fourth, on OPEC. Iran is in the middle he says. Iraq is a hawk; Venezuela is in the middle. No one pays any attention to Yamani.

Indexing is one of his themes. He argued for it. I said there are technical problems with it. What is the base? What is the basket of goods you measure it against? How can you make it work for the variety of basic materials—some of which had dropped badly?

Fifth, he noted that Iran had given a lot of aid—about 7% of its GNP. That is a gigantic effort, which he won't be able to sustain.

I told him about the meeting in Germany. He made no comment at all. The British said the Shah had played a role in giving Schmidt the idea for the private group.

I tried to point out how much many of the basic materials had come down.

President: How old is he?

Robinson: 55.

Kissinger: The Shah wouldn't let the Soviets make overflights over Iran during the October war. He is strong, and he is a friend.

President: How did he take over?

Kissinger: His father or grandfather, was a sergeant. He took over as a very young man and was kicked out by the leftist Mossadegh. Then Mossadegh was overthrown with CIA help, and the Shah put back on the throne.

He runs the country himself. He is a total autocrat, but a man with global vision.

He is convinced that we can't fight another Middle East war from our base structures. So he is thinking of buying some 747 tankers to help us.

He is a good friend of the United States except on oil pressures. He can't afford to cut his oil production because he needs the income.

If we shifted some of our imports from Saudi Arabia to Iran, we could increase the pressure on Saudi Arabia.

President: How could we have an exclusive contract with Iran?

Shultz: If you have a fee system, you can discriminate among countries by adjusting the fees.

Kissinger: That is one of the drawbacks of quotas.

[Omitted here is discussion unrelated to Iran.]

**101. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to the Chairman of the NSC Under Secretaries Committee (Maw)<sup>1</sup>**

Washington, February 8, 1975.

SUBJECT

Study on Co-Production in Iran

It is requested that, prior to submission to the President, the study and recommendations of the Under Secretaries Committee on co-production in Iran be reviewed and revised to:

- analyze more clearly the relation of potential co-production projects to our overall military supply relationship with Iran, and assess the political benefits which we might gain as a result of co-production;

- estimate in quantitative terms the potential growth of co-production projects in Iran; and

- devise a specific set of guidelines for assessing new co-production projects in Iran, including specific recommendations on how to handle the variety of Iranian and U.S. economic and political problems which co-production projects may entail.

The guidelines should include detailed recommendations for:

- permission for Iran to sell to third countries,
- the USG relationship to management of Iranian arms industries, and
- the procedure for approval of specific projects.

Such detailed and unambiguous analysis is necessary if co-production is to be a successful and innovative adjunct of our military supply relationship with Iran and not, instead, create dangers of:

- serious Iranian disappointment as a result of misunderstandings about the extent of our commitment and the problems of accomplishment, and

- problems of U.S. involvement in Iran's arms industries.

This review should be submitted by February 28, 1975.

**Henry A. Kissinger**

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 11, Meetings, Log No. 7500060, Co-Production in Iran (2). Secret.

## 102. Memorandum From the President's Assistant for Economic Affairs (Seidman) to President Ford<sup>1</sup>

Washington, February 11, 1975.

### SUBJECT

Proposed Iranian Government Investment in Pan American Airlines

As you know, initial negotiations have been completed with respect to an Iranian Government investment of \$300 million in Pan American Airlines.<sup>2</sup> Because the controversial issue of OPEC government investment is involved, both Pan Am and Iran are seeking a favorable signal from the Administration before proceeding further with the transaction.

Any agreement reached by the parties would ultimately be subject to CAB approval of matters relating to potential Iranian control of Pan Am. A favorable Administration decision would, therefore, not necessarily ensure successful completion of the transaction. A negative signal would, however, almost certainly stop the proposed investment.

*Decision Required.* The main decision required is whether the Administration should approve in principle the proposed Iranian investment in Pan Am.

*Terms of Transaction.* After completion of the transaction as now proposed, Iran would hold approximately \$245 million (20–30%) of Pan Am's debt, own 55% of the stock of Intercontinental Hotels Corporation (an offshore hotel chain wholly owned by Pan Am), have warrants to purchase up to 13% of Pan Am's equity and have one member on Pan Am's 17 member Board of Directors (see attached Annex I for further details of transaction).<sup>3</sup>

*Basic Issues*—Several broader issues must be considered in order to reach a decision on the Iranian/Pan Am request. They are:

—Our policy with respect to OPEC government investment in the U.S.

—Our policy with respect to recycling and the impact of denial on the future flow of OPEC funds to the US.

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<sup>1</sup> Source: Ford Library, White House Central Files, Subject File, CO 68: Iran, Box 24, 11/1/74–2/28/75. No classification marking. Sent for action. Printed from an uninitialed copy.

<sup>2</sup> Financially weakened by oil price increases, Pan American Airlines was attempting to avoid bankruptcy by accepting a \$300 million investment from Iran in exchange for placing an Iranian director on its Board.

<sup>3</sup> Not attached.

- Foreign policy implications—especially Iranian/U.S. relations.
- Foreign government influence in key U.S. firms
- Injection of an undesirable foreign policy element into the CAB and Presidential decision making process in cases involving Pan Am.
- Effect on Pan Am's long run economic viability.

*Discussion of Key Issue: OPEC Government Investment in U.S.*—One of the principal objectives of our recycling policy is to encourage OPEC nations to make long term constructive investments in the consuming nations. Such investments contribute to our current balance of payments, help alleviate the current capital shortage, and give the OPEC countries a stake in our economy which should provide some incentive for them to refrain from actions which would have a negative effect on our economy and their investments. An interagency review of foreign investment in the U.S. is underway and, while not complete, it is possible to say that all but the most extreme views would permit some foreign government investment in US firms—including firms like Pan Am.

Our existing laws and regulations are such that there is minimum danger that a foreign investor could use his investment here in a way that would cause serious harm to our economy or national security. However, a major reservation has been raised concerning the political and economic influence that a foreign government might obtain through substantial investments. Although the substance of these concerns has never been clearly defined, those that hold this view maintain that a foreign government could make subtle use of such influence to harm our national or economic security interests but in a manner that would put it beyond the reach of existing law.

There is an added difficulty in the present case in that Pan Am is regulated by the CAB and, in some cases, the President. The Department of Transportation is concerned that Iranian investment in Pan Am would inject additional foreign policy considerations into the deliberations of the CAB and the President in making decisions involving Pan Am or other international carriers. On the other hand, other agencies look upon CAB and Presidential regulations as an added safeguard to ensure that the Iranians would not use their investment in a way contrary to our national interest.

*Defense Department Requirements.* Any agreement reached by Pan Am and Iran must contain provisions which assure conformity with Defense Department regulations dealing with classified defense contracts and the Civil Reserve Air Fleet (CRAF). Otherwise, the Defense Department would object to the transaction.

Pan Am officials are optimistic that they can work out appropriate arrangements, but the precise methods of satisfying DOD concerns re-

quire further discussions with Iran and DOD. Therefore, Administration approval in principle at this time must be given subject to satisfaction of Defense Department regulations. (See Tab A)<sup>4</sup>

*Advantages of a Favorable Decision*

1. A favorable decision would indicate to other potential OPEC investors that the U.S. is willing to accept constructive long term OPEC government investment.

2. The investment would set a useful precedent for the type of OPEC investment we would welcome (i.e. mainly debt with a relatively small equity interest in a firm in a highly regulated industry).

3. Denial would be interpreted by OPEC nations as an indication that we intended to limit their investment in the U.S. and could have a major negative effect on such investment here.

4. Because of its generally favorable features, the transaction provides a good test case to sample Congressional and public reaction to substantial OPEC investment in U.S. companies.

5. The investment would avert another Pan Am cash crisis in late 1975 and might provide the type of medium term financial relief necessary to enable Pan Am to consummate a merger or route restructuring needed to create a viable airline.

*Disadvantages of a Favorable Decision*

1. The investment might take pressure off Pan Am to take the drastic actions required to return to long run profitability (e.g. merger or route restructuring).

2. Iranian influence in Pan Am would inject a new, and what some consider an undesirable, element into CAB and Presidential decision making in cases involving Pan Am and other international airlines.

3. Whether or not the relationship actually affects Presidential decisions, it will be perceived as having, or as capable of having, an influence on such decisions, which may give further impetus to the current effort to limit the President's statutory authority over international route and rate decisions.

4. Further Pan Am financial problems could lead to another request for an Iranian bailout which, if approved, would increase Iranian influence in Pan Am and thereby set precedents for larger shareholdings in US companies by foreign investors.

5. Would advance Iran Air's case for adding routes to the U.S., which would further dilute the North Atlantic market for U.S. carriers

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<sup>4</sup> Not attached.

and could include additional Concorde operations which would impact the first class market.

*Agency Recommendations*

(1) Treasury, State, Commerce, OMB, CIEP, NSC and the Domestic Council all favor approval of the investment (on condition that the final agreement between Pan Am and Iran contain provisions which satisfy Defense Department requirements). The main reasons for their recommendations are the positive effect it would have on (i) our prospects for attracting more OPEC government investment and influencing its movement into constructive, long term ventures in the US and (ii) the short term financial condition of Pan Am.

(2) The only dissenting agency is Transportation which believes the investment could add an undesirable foreign policy element to CAB and Presidential decision making, or would be perceived as influencing Presidential authority over international routes and rates. Transportation is also concerned that Pan Am would not proceed as vigorously as it should with a merger or restructuring.

(3) Defense takes no position for or against but points out that any final agreement must contain provisions which assure conformity with its regulations dealing with classified defense work and the Civil Reserve Fleet.

(4) The Federal Energy Administration believes that the Administration should neither approve nor disapprove the transaction. Rather, FEA recommends that we offer no objection at this time, provided that the concerns of the CAB and the Department of Defense are met. In the meantime, the issue of foreign government investment in the U.S. per se should be explored—as is currently being done by the interagency review group.<sup>5</sup>

(5) Arthur Burns, speaking for the Federal Reserve, indicates he has doubts, mainly on grounds of national prestige, about the proposed investment. These doubts would, he notes, be greatly reduced if Iran would agree to limiting the warrants to non-voting common stock.

*Recommendations of Senior White House Staff*

(1) Mr. Hartmann believes (i) a more comprehensive check of Congressional and Labor reaction is desirable before any decision is made, (ii) DOD should be required to state its position and (iii) DOD concerns with respect to the Civil Reserve Air Fleet and classified contracts should be fully resolved before any Administration approval is announced.

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<sup>5</sup> The last sentence was added by hand, presumably by Ford.

(2) Mr. Rumsfeld's office had no comment.

(3) Mr. Marsh favors approval of the Iranian Investment.

(4) Mr. Areeda believes the Transportation Department concerns are "worth weighing" but on balance he does not believe they are strong enough to determine the result.

*Initial Congressional and Labor Reaction*—The subject of OPEC investment in the U.S. is already an important issue in Congress as several bills to restrict or limit foreign investment have been introduced. Any decision on the Iranian case will undoubtedly evoke Congressional comment.

Pan Am representatives have consulted a number of Senators and report that so far they have encountered no adverse reaction. An independent check by the staff of CIEP with Senators Jackson, Javits, Scott, Williams, Percy, Stevenson, Church, Stevens, Pearson also uncovered no objection to the transaction. Pan Am has also had a number of consultations on the House side and reports no adverse reaction so far.

According to Pan Am, initial contacts with the Teamsters and the AFL–CIO indicates that labor will not have major objections to the transaction.

Approve Iranian Investment in Pan Am<sup>6</sup>

Disapprove Iranian Investment in Pan Am

Will discuss

[Omitted here is material on the release of a statement of approval of the investment.]

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<sup>6</sup> Ford initialed approval of this option. A joint U.S.-Iranian statement on the investment was released on February 16. (*The New York Times*, February 17, 1975) In a February 21 telephone conversation, Kissinger assured *Washington Post* columnist Joseph Kraft that the Department of State had moderately favored the Pan Am deal but had not pushed it. Kissinger continued: "There is no 'be nice' policy. I am opposed to having a political and economic confrontation with Iran because I do not believe it will get oil prices down or because what it would take to get them down—the amount by which they would get down that way wouldn't be worth the political and economic cause. I'm strongly in favor of creating the objective conditions that will get them down and we are well underway to doing that." (Department of State, Electronic Reading Room, Transcripts of Kissinger Telephone Conversations)



**103. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to President Ford<sup>1</sup>**

Washington, February 19, 1975.

Secretary Kissinger asked that I pass the following report to you.

[Omitted here is material unrelated to Iran.]

"Today I completed a wide-ranging four-hour talk with the Shah in Zurich<sup>2</sup> which was very satisfactory in all major respects. It is clear from this talk that the Shah continues to attach primary importance to close U.S.-Iranian relations, that he has the breadth of a world statesman who not only understands clearly and appraises realistically the global scene but has a clear vision as to where Iran fits into the scheme of things and the direction he wants Iran to move.

"The most important part of the conversation was his reaction to our approach to the producers/consumer dialogue, the question of a floor price on oil, and the need for long-range cooperation between producers and consumers. He has some very interesting ideas regarding possible U.S.-Iranian long-term cooperation which I will want to discuss fully with you upon my return.

"I gave him a full briefing on where matters stand in the Middle East, and he supports fully the present step-by-step approach. He also indicated he is prepared to assure Israel regarding supply of oil should it decide to give up the Abu Rudeis oil fields as part of the next step in an agreement with Egypt. As you know, the Shah in recent weeks has also stepped up his diplomacy in the Arab world. He is very impressed with Sadat and is convinced that he wants to go the route of peace, not war.

"His principal preoccupation is with Iraq. He says Kurdish resistance is weakening, and that they 'have no guts left.' In response to an Iraqi overture, he is planning on meeting with its strong man, Saddam Hussain. The Shah said he cannot accept an autonomous Kurdish state which would be under the dominance of a Communist Iraqi central government. He is suspicious that the Iraqis will stimulate some incidents along the Iraqi-Iranian border which could lead to an internationalization of the Kurdish question and its being brought before the United Nations Security Council, which he would consider most unhelpful. In short, he seems tempted to try to move in the direc-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Kissinger-Scowcroft West Wing Office Files, Box 19, Kurds (3). Secret; Sensitive; Exclusively Eyes Only. Sent for information. Ford initialed the memorandum.

<sup>2</sup> Atherton provided Kissinger with briefing materials for this February 18 meeting on February 8. (National Archives, RG 59, Central Foreign Policy Files, P850126-0909)

tion of some understanding with Iraq regarding the Kurds, but is understandably skeptical that much is possible. In the meantime, he intends to continue his support for the Kurds.<sup>3</sup>

“With the Soviet Union he is working out a complicated three-way gas deal which includes the Federal Republic of Germany, the Soviets and Iran. His principal purpose is to make the Soviets as dependent as possible on Iran for its natural gas.

“With respect to the Pan American deal, he reaffirmed he has no intention of trying to take over control of the company, which he says he could not do even if he wanted to since he does not have the management. He believes that it will be necessary for both the United States and Iran to put in some additional money to get Pan Am on its feet.

“He discussed the subcontinent at some length and was very pleased that we had taken the decision to renew military supply to Pakistan. He is making clear to the Indians that Iran would not stand idly by if there were an attempt to dismember Pakistan. At the same time, he is telling Bhutto that, while he supports Pakistan’s territorial integrity and independence, Iran would not support aggressive action by the Paks.

“He is very much looking forward to meeting with you later this year, and he described Iranian-American relations as ‘never better.’<sup>4</sup>

[Omitted here is material unrelated to Iran.]”

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<sup>3</sup> According to a memorandum from Rodman to Kissinger, February 12, 1976, Kissinger attempted to talk the Shah out of abandoning the Kurds when they met in Zurich on February 18. (Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 19, Kurds (2))

<sup>4</sup> Kissinger’s report was also sent to Helms in backchannel message WH50246, February 21. (Ibid., Backchannel Messages, Box 4, Mideast/Africa, Incoming 3/75)

**104. Memorandum of Conversation<sup>1</sup>**

Tehran, February 19, 1975, 10:30 a.m.

**PARTICIPANTS**

Jamshid Amuzegar, Iranian Minister of Interior  
Charles Robinson, Under Secretary of State  
Richard M. Helms, US Ambassador to Iran  
Jack C. Miklos, Deputy Chief of Mission  
Robert Hormats, Senior Staff Member, National Security Council

**SUBJECT**

US-Iranian Economic Relations

Amuzegar stressed that there is not all that much oil money available. Abu Dhabi was having its problems as were a number of other OPEC countries so that there was not as much of a financial problem as the US thought. Iran wants to have a constructive consumer/producer conference. It wants representatives of the Third World to attend, but to sit with OPEC, and agrees that we can keep raw materials out of the picture insofar as the conference is concerned.

Iran wants to play a constructive role but it cannot agree that oil is the only problem in the international economy. Also, the problem of oil should not cause panic among the Western countries. Among the developed countries, Germany is doing well, Japan has adjusted remarkably, France does not have major problems (Giscard told this to the Shah), and the small countries such as Belgium, Sweden and Norway are doing okay. The two big problems are Italy and the UK. Iran has made an effort to help them. Last year it loaned \$750 million to the IMF oil facility. This year the Shah has told the IMF that Iran will contribute \$1 billion. This will help these countries substantially. Also, Iran has no objection to the Kissinger plan for a \$25 billion safety net. This is okay with us. We do not care what you do to help one another financially.

With respect to Italy, the problems are less oil related than related to the state of the Italian economy. It has no leadership and no ability to solve its problems. Both Britain and Italy for instance are really not making much of an effort to deal with inflation. Every time there is a

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, March 1975 Outgoing. Secret. The meeting was held at the Iranian Ministry of the Interior. Robinson toured the Middle East the last two weeks of February. According to telegram 29483 to Tehran, February 8, his mission was to discuss economic matters of mutual interest and "particularly to explore the possibility of actions which might be undertaken jointly to develop cooperation regarding petroleum-related (including financial) issues." (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological Files, 4 January–23 March 1975)

strike in Britain, I cringe because I know I will have to pay for it. The price of the goods Iran buys has shot up dramatically, so our oil buys less than it did before—24% less by our calculations.

We agree with the American position that such products as bananas, copper and other raw materials should not be part of a consumer/producer conference. Most producing countries also agree. Algeria, however, wants to bring in other raw materials lest it be accused of not taking up the needs of other developing countries. Iran's experts have just come back from a meeting of experts from OPEC countries. Iran will propose to the developed countries that we discuss all raw materials, including oil, but that we do so in sections, first addressing oil and then, perhaps at a subsequent meeting, discussing other raw materials. This will give Algeria a way out. We proposed this to Algeria in the experts meeting, but he said he was not authorized to do this.

On oil questions, Iran and the US are not far apart. The importance is to keep the free world free and keep the communists out. But you must understand that we need many imports from the West. Prices of the equipment we buy have increased so that our oil buys 24% less than it did on January 1 of last year. We cannot sanction a decrease in price. But we do think that a consumer/producer conference can achieve a better dialogue with industrialized nations. We genuinely want to reach agreement and to work together on investment and aid to developing countries and other areas of common interest.

Iran is in the Western camp. We do not share the goals of some OPEC countries. We do not agree to OPEC desires to weaken the West. I alone, and not our foreign or finance ministers, went to the Algerian meeting of foreign and finance and oil ministers. The Shah sent me alone because we want to keep oil out of political matters. It is for us a strictly economic proposition and should not be injected into politics.

With respect to the details of a consumer/producer conference, France invited major consumers, major producers, and developing countries.<sup>2</sup> The Algerians are against this. They do not want OPEC separated from non-oil producing developing countries. They argue that OPEC countries are developing countries. They think the French want to split the LDCs from OPEC in order to strengthen the attack on OPEC. OPEC has supported the Algerians in their effort to avoid a split. Perhaps we could envisage a two-party negotiation including de-

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<sup>2</sup> France sent invitations to Algeria, Saudi Arabia, Brazil, India, Iran, Japan, Venezuela, Zaire, and the United States to attend the conference. A translation of the text is in telegram 5328 from Paris, March 1. (Ford Library, National Security Adviser, Presidential Country Files for Europe and Canada, Box 4, France—State Department Telegrams to SECSTATE-NODIS (3))

veloping countries sitting on the OPEC side but as observers who would say very little.

We also agree that the conference should not be large—perhaps five OPEC countries, five developed countries, and five developing countries playing a minor role. We do not care how many you want on your side. If you want five, we have already chosen who our five would be. If you want six, we could accommodate you and have already chosen the sixth.

Algeria, as I mentioned, wants to deal not only with oil but also with other raw materials. I have told them that this is not a good idea, and that success cannot be achieved. It is unrealistic to think that you can have any success by handling the conference this way.

But Iran wants to play a constructive role. As I mentioned, we have contributed to the IMF oil facility. We have also proposed an International Development Fund in the UN Special Session last April.<sup>3</sup> The US opposed this, stating that it would be difficult to get through the Congress. Then the Germans opposed and the UK was ambiguous. But Iran believes in providing assistance. Iran has provided 50% of all the OPEC aid to developing countries. It has helped India and many other LDCs. Its fund proposal was designed to bring other OPEC countries into the assistance effort through multilateral channels.

Our fund was designed to have tripartite management—OPEC, developed countries and developing countries. Each would contribute \$150–200 million, for a total fund of roughly \$4 billion. But some people thought that it was not equitable to have everyone contribute the same amount. We then revised our plan to make contributions based on per capita income. But at the WFC, where we proposed this, the US objected that it would mean too large a contribution by the US. Iran is willing to make compromises in the development of this fund—either equal contributions, contributions based on per capita income, or some other way of doing it. We are very flexible. But we intend to make some proposal in the coming meeting in Algiers. If we can have your guidance, we will take it into account in developing our position. I depart for Algiers on the 25th, so I would need it before then.

We have just received the formal French invitation to the conference. We understand the desire is to jump from an expert level meeting to a summit meeting. But we question whether you can jump this far. We in OPEC plan to move from an experts meeting to a meeting of oil ministers to a meeting of foreign, oil and finance ministers and then to the summit on the 4th or 5th. This permits greater preparation and we

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<sup>3</sup> The Sixth Special Session of the UN General Assembly, which met in New York April 9–May 2, focused on raw materials and development.

think it is advisable for us. This might be a better way of organizing the overall meetings.

Getting back to the question of raw materials again, we will desire to work out a reasonable solution with Algeria to keep this out of the consumer/producer conference.

With respect to indexation, we are, as I mentioned, extremely concerned about the declining purchasing power of our oil revenues. One way out is to index the price of oil, tying it to 20–30 commodities. Of course there is the question of which commodities. We, ourselves, understand the difficulties in developing an indexation scheme and we are certain that we will find tough going in working one out with other OPEC countries. But we will try to reach a compromise which is satisfactory to OPEC nations to preserve our purchasing power.

Robinson: We are not opposed to the proposition but the question is how to do it. It is extremely hard to get a weighting which accurately reflects the situation. Weights change among commodities and over time. Some countries import more military equipment than others. Others attach greater importance to industrial goods. We are willing to explore possibilities of indexation but are skeptical that the technicalities can be agreed upon. One possible alternative might be an international forum to discuss the impact of inflation and what might be done to adjust to it. In this way consumers and producers could maintain a dialogue on these issues in order to find the best means of compensating for the erosion of purchasing power.

Amuzegar: With respect to the conservation of oil, we have no objection to your cutting back on imports. We encourage it. Many of our investments are eroding in value so that we do not have a particular interest in buying large amounts of securities which become worth less and less. We have our import needs and we are desirous of investing in industries which give us additional amounts of technology to help our economy. But we are not interested in investment for the sake of piling up investment. We would be happy if you could reduce the amount of oil we need to export. We were somewhat shocked by the reaction to the floor price by your allies. This is a good idea. It would help Iran and it would help you. You could get more off-shore oil and we would be relieved of the obligation of having to supply you with oil. It is surprising that other countries in the developed world do not understand the importance of the concept and agree to it.

**105. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, February 19, 1975, 1153Z.

1603. Eyes Only for Secretary Kissinger from Under Secretary Robinson. Subject: Results of My Meetings in Iran.<sup>2</sup>

1. While I hope we will be able to discuss my entire trip in great detail next week, there are a few conclusions which I have reached as a result of my meetings in Tehran which I thought I should share with you right away.

2. There is a substantial possibility for development of a common position between the US and Iran on many oil-related issues, a far greater possibility than with any of the other OPEC countries which I have visited. Iran takes a practical view of the oil situation, basing its judgements on economic considerations rather than on the relationship of oil to the Arab-Israel conflict. To the extent it does inject politics, it is anxious to sustain its relationship with the West, on whom it is increasingly dependent economically, politically and militarily. With respect to a consumer-producer conference, there is no interest in exacerbating relations between producers and consumers, want to avoid interchange of extraneous raw material issues, and is attempting to restrain the more radical oil producers. Its goals are to find a method of avoiding the erosion of the purchasing power of its oil revenues through inflation or exchange-rate fluctuations, perhaps to realize a more secure climate for its investment, and to find an improved means of international cooperation to assist developing countries. It is clearly desirous of improved cooperation with the US in preparations for the conference.

3. While there are a number of areas in which improved cooperation can take place, including particularly the many projects which we have agreed can be promptly realized in the Joint Commission framework, there are three important policy areas where prompt action by the US could achieve major benefits for us:

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological Files, 4 January–23 March 1975. Secret; Immediate.

<sup>2</sup> In addition to meeting with Amouzegar (see Document 104), Robinson also met with Ansary and Mina. He reported the details of his meeting with Ansary in telegram 1576 from Tehran, February 19. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE–NODIS (1)) The Embassy reported the substance of his meeting with Mina in telegram 1779 from Tehran, February 24. (National Archives, RG 59, Central Foreign Policy Files, D750064–0459)

1. The US needs to develop a position in response to OPEC concerns that inflation is eroding the purchasing power of oil revenues. The Iranians are working on a proposal for indexation. While I am skeptical that an indexation proposal acceptable to OPEC will be acceptable to us, or that indexation is technically feasible, we ought to at least explore what a proposal satisfactory to us might look like. Certainly the OPEC countries will have such a proposal by the middle of March and we should have one as well. If we conclude that indexation is technically impossible, or that market forces will bring down the price of oil so that any indexation however viable technically should be resisted, we might at least consider possibility for developing a technical level consultative process between consumers and producers which examines the impact of inflation, the policies nations are using to curtail it, and the ways in which producers might act to counter its impact on their development objectives. This would institute a process for a commitment to indexation but would permit the possibility of an increase in oil prices based on consultation rather than unilateral action.

2. We might raise with OPEC countries the possibility of agreement to begin a dialogue between developed and developing countries on raw materials. OPEC, especially Algeria, is under pressure from non-oil producing developing countries to avoid neglecting raw materials in any conference with the industrialized nations. Agreement to a separate future conference, perhaps at the technical level at first, on raw materials might make it easier to remove this subject from the consumer-producer oil conference. It would, moreover, be consistent with your desire to develop an American initiative in this area.

3. There is a distinct possibility that the US proposal for a trust fund in the IMF can be married with the Shah's proposal for a trilateral development fund. We believe a compromise can be reached which would include the funding scheme incorporated in our trust fund proposal, the trilateral board of governors proposed by the Shah, use of the staffs of the IMF and IBRD contained in both plans and the emphasis on balance of payments assistance contained in the trust fund plan. Such a proposal would include OPEC countries in a multilateral aid scheme, which would be more helpful, from our point of view than their present emphasis on bilateral aid, which often has political strings, avoid the appropriation problems through use of IMF gold, and put a strong plus in our relations with the Shah. Amouzegar was receptive to this suggestion for attempting to combine the two schemes. If we could have a basic proposal to him before he departs on February 25 to meet with other OPEC countries on this subject, he might try it out. Time is therefore of the essence, and if we are to get this proposal before OPEC, we would need to move immediately. I suggest you have EB draw up a



proposal for your consideration by Saturday evening so that we could go over it together and send it to Tehran by noon on Monday.

Helms

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#### **106. Intelligence Report**

OSI-STIR/75–5

Washington, March 1975.

[Source: Washington National Records Center, OASD Files: FRC 330–78–0011, Box 73, Iran 000.1 (31 March 75) 1975. Top Secret; No Foreign Dissem. 13 pages not declassified.]

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#### **107. Memorandum From David Elliott of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, March 2, 1975.

##### **SUBJECT**

Iranian Investment in U.S. Uranium Enrichment

The three U.S. Atomic Energy Commission uranium enrichment plants have fully contracted their output and a new plant must be built to meet future domestic and foreign demand. For some years the Administration has sought to interest the U.S. private sector in taking over the enrichment business and, particularly, in building the fourth plant. Only one U.S. consortium, Uranium Enrichment Associates (UEA), has seriously pursued this objective, but they are having trouble lining up capital (about \$3 billion) and customers. Over the past few months, UEA has progressively looked abroad for both, hoping to obtain as much as 60% foreign investment. These investors would also be required to be customers, buying the same proportion of the plant output as their investment.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 12, Iran (3). Confidential. Sent for information. Kissinger initialed the memorandum.

In December, the possible line up was Japan 25–30%, Germany and France about 12%, and Iran about 10% (which equals its need for fueling its reactors in the 1980s). However, in spite of fairly intense negotiations since then, none of these investors except Iran have actually indicated willingness to “sign up.” Without this investment, UEA will not make a commitment to begin construction or to give firm contracts to deliver enrichment services. To try to break this impasse, Iran has offered to increase its investment to 30% if it is agreeable to the USG. UEA is delighted and would like to make such an announcement during the U.S.–Iran Joint Commission meeting next week.

Iran has also *just* concluded an arrangement to be France’s partner in Eurodif II, a future enrichment plant equal in size to that planned by UEA.

It will be necessary for us to make a fairly quick determination of the advisability of allowing 30% ownership of UEA by Iran. But doing so in the next few days will be difficult. Some of the problems and considerations are as follows:

1. 30% of UEA’s output far exceeds Iran’s projected domestic needs. Combined with their French arrangement, Iran will be in the position of a major exporter of nuclear fuel (exceeding, for example, the export capacity of the USSR). This, of course, would become a factor both in our energy and non-proliferation strategies, particularly if Iran proved willing to export to certain countries which we would not.

2. An investment of this magnitude should, if possible, be considered within the context of our overall policy on inward investment by OPEC countries.

3. Congress is very wary about the Administration’s nuclear policy in the Middle East. It is not at all unlikely that Congress would disapprove the U.S.–Iran Agreement on Cooperation in Atomic Energy if Iran were seen to be getting heavily into our nuclear business and also acquiring fuel greatly in excess of their needs. (Our past policy has been to meet foreign requirements but not to provide foreign stockpiles.) Without this Agreement we cannot carry on *any* nuclear transactions with Iran.

4. The NSSM 209 study and recommendations will be ready to go to the President in a couple of weeks.<sup>2</sup> Depending on his decision, the Government may build the next plant and not the private sector (i.e., UEA would be aborted). If we ask the President for a decision *now* on how much of UEA can be acquired by Iran, it would tend to foreclose a

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<sup>2</sup> NSSM 209, “Policy on the Development of Future Uranium Enrichment Capacity,” September 5, 1974.

subsequent decision that effectively would kill UEA, unless we were willing to allow Iran some ownership in the Government plant.

5. On the other side of the above arguments is the fact that without Iran's very substantial investment, UEA's outlook for coming into being would be seriously set back. The USG would seemingly have spent years encouraging UEA and then undercut them as they neared success.

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## 108. Summary of Protocol<sup>1</sup>

Washington, undated.

### Summary of U.S.–Iran Protocol Negotiation

In meetings of the five Joint Commissions of the U.S.–Iran Joint Commission this afternoon and in a final negotiating session with Mehran and others tonight, we have agreed on the text of the joint Protocol and the Technical Cooperation Agreement.<sup>2</sup>

A deadlock has developed in the negotiation of the Agreement on Cooperation in the Civil Uses of Atomic Energy.<sup>3</sup> We still have some hope that this will be resolved later tonight so that this Agreement can be initialed tomorrow. Meanwhile, we have put a positive cast on the language regarding nuclear energy cooperation in the Protocol, despite

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological Files, 4 January–23 March 1975. Limited Official Use. Robinson sent this summary to Kissinger under cover of a March 3 memorandum that reads: "Attached hereto is a summary of the Protocol on which agreement has now been reached with the Iranian representatives."

<sup>2</sup> The U.S.–Iran Joint Commission met for the second time in Washington March 3–4. The communiqué issued on March 4 and the Technical Cooperation Agreement that Kissinger and Ansary signed are printed in the Department of State *Bulletin*, March 31, 1975, pp. 403–405. On March 2, Atherton provided Kissinger with briefing material for the meeting. (National Archives, RG 59, Central Foreign Policy Files, P850125–0920) A draft of the joint minutes of the meeting, which summarized the work of the five joint commissions during January and February, was transmitted to the Embassy in Tehran for Ansary's consideration in telegram 45184, February 28. The telegram noted that the language on investment and nuclear cooperation was "highly negotiated." (Ibid., Central Foreign Policy Files, D750070–0294)

<sup>3</sup> In telegram Tosec 31/50004 to Kissinger in London, March 6, Robinson reported on his follow-up meeting with Ansary and Zahedi, noting that the nuclear power plant program would require the conclusion of an "Agreement for Cooperation in the Civil Uses of Atomic Energy." (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological Files, 4 January–23 March 1975)

the lack of complete agreement. At issue is whether the USG will commit itself now to make available the technology for establishing a nuclear fuel fabrication and reprocessing facilities in Iran when the Iranians are ready to handle this technology or, rather, to “give consideration” to doing so. Our nuclear energy people do not want to cross this bridge until the situation actually arises. To do so would be an exception for Iran which would be difficult to explain on the Hill and in international meetings on nuclear technology proliferation which are now being planned.

In the Protocol, we agree to the following measures:

1. To set a target of \$12.5 billion in total U.S.–Iran trade, excluding oil and military goods, in the next five years.

2. To sell Iran dual purpose nuclear power and desalinization plants with a total capacity of 8,000 electric megawatts (\$5 billion to \$6 billion) over an unstated period of years.

3. To provide (through UEA or otherwise) U.S. enriched uranium fuel sufficient to meet Iran’s needs. This is linked with Iran’s prospective announcement that it will invest about \$1 billion to provide 20 percent of the financing of the proposed UEA plant.

4. To note, but not give U.S. endorsement to, Iran’s current consideration of major joint ventures with U.S. companies to establish petrochemical plants and an oil refinery.

5. That Iran will contract with U.S. companies to establish 20 factories in Iran to build prefabricated housing units and to construct 100,000 apartments and other housing units over the next five years. (Estimated contract totals: \$300 million.)

6. That Iran will contract with U.S. companies to construct and staff five Iranian hospitals with a total of 3,000 beds. (Estimated contract totals: \$300 million.)

7. That U.S. companies will participate in building major infrastructure projects including roads and ports. (Potential: \$1.5 billion)

8. That they will cooperate in a wide range of agricultural development projects, including production of fertilizers and agricultural machinery, development of demonstration areas to use modern American technology in food production in the presently under-developed area of Iran, construction of agricultural port facilities and related agribusiness projects. (Potential: \$2 billion.)

9. To undertake a broad program of technical cooperation, including development of vocational education, science and technology projects.

Ansary is considering compromise language that we proposed to Mehran on the issue of prior consultation regarding significant investments. They had stoutly refused all day to agree to include any such

commitment in the Protocol, contending that this would be discriminatory in that the USG has no such commitments from Germany or Canada.

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### 109. Memorandum of Conversation<sup>1</sup>

Washington, March 4, 1975, 9:55–10:33 a.m.

#### PARTICIPANTS

President Ford  
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs  
Wells Stabler, Ambassador to Spain (briefly)  
Lt. General Brent Scowcroft, Deputy Assistant to the President for National  
Security Affairs

[Omitted here is material unrelated to Iran.]

Kissinger: The Iranian stuff is going very well. We have agreed on a \$12.5 billion program over five years—this is non-military. There will be military purchases as well. Six billion for nuclear development, five billion for port facilities, 2.5 billion for agriculture. In addition, they will sell 500,000–750,000 barrels per day below OPEC price and tied to military purchases. The other program we can announce in principle, to be signed while the Shah is here. The oil deal will bring pressure on the price structure, because the purchasers will have to find where else to make a cut of that size. In view of what the French did on the invitation, it would be crazy for us not to go forward on things like this.

The President: When can we announce this?

Kissinger: We can't. They first want to sell a certain amount of oil to us. We can then cut wherever we want and they can raise production. It must either produce price cuts or further cutbacks. But the \$12.5 billion can be announced today. What they want is to announce the oil deal and further purchases together. I don't think they realize what they are doing. Algeria has already cut production by two million barrels. They can't cut further. Our joint commissions are pushing the producers into big development programs, for which they will need the additional oil production.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 9. Secret; Nodis. The meeting was held in the Oval Office.

You should tell Ansary . . . We shouldn't haggle over the price so long as it is below the OPEC price. The key thing is that the production is coming out of someone else's hide. We may have broken OPEC, or will have if we can make one more deal like this. Maybe it's too fast, because we need to get our system in place first.

They will buy other things with the \$1.5-to-2 billion in receipts for the oil deal. The money will never leave the United States.

The President: Congratulations. I think that is great.

Kissinger: If we can get the same with the Saudis, it will be great.

The President: The announcement today will have a good impact on Congress.<sup>2</sup>

[Omitted here is material unrelated to Iran.]

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<sup>2</sup> See footnote 2, Document 108. The transcript of Kissinger and Ansary's news conference held at the conclusion of the Commission's session is printed in the *Department of State Bulletin*, March 31, 1975, pp. 402–403.

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## 110. Memorandum of Conversation<sup>1</sup>

Washington, March 4, 1975, noon.

### PARTICIPANTS

President Ford

Hushang Ansari, Minister of Economics and Finance of Iran

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs

Ardeshir Zahedi, Ambassador of Iran

Charles Robinson, Under Secretary of State for Economic Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National  
Security Affairs

President: It is a real pleasure to see you. Secretary Kissinger gave me excellent reports of the work of the Commission. I want to compliment you for coming forth with these results which are of benefit to both our countries.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 9. Secret; Nodis. The meeting was held in the Oval Office. Kissinger provided Ford with an undated briefing memorandum for the meeting. (*Ibid.*, Presidential Country Files for Middle East and Africa, Box 12, Iran (3))

Ansari: Thank you very much. I want to thank you not only for the results of our meeting, but Dr. Kissinger has been most constructive in encouraging the development of constructive efforts. It has really been most heartening.

Kissinger: Minister Ansari described to me when I was in Tehran the overall development program of Iran.<sup>2</sup> By 1983 they hope to reach the standard of living of Western Europe.

Ansari: We hope for a GNP of \$193 billion by 1983 which would compare favorably with Europe.

President: What is the population of Iran?

Ansari: It will be about 42 million by 1983.

President: Is it expanding rapidly?

Ansari: About three percent a year, but we have a planning program and hope to reduce that.

Our development includes every form of economic development, social reform and education.

Kissinger: Point Four was started in Iran in the '50s.

Zahedi: That's right. It began in one room. I was involved in that.

Ansari: Everything we have done has taken place in the last 12 years. Forty-five years ago our total imports were \$15 million. This year they are \$10 billion. Next year they will be \$14.5 billion.

President: Do you have the port facilities to handle this?

Ansari: This is one of the pitfalls in our program. The demand for food, housing and clothing has gone up drastically and our program is not adequate. We have much work to do there. We have four major ports. By 1983 they will have to handle 80 million tons, compared to 4 million now.

Kissinger: I reported to you, Mr. President, about the arrangement for 500,000 barrels of oil in exchange for probable military commodities in a way that the price doesn't become obvious.<sup>3</sup> Is that a fair statement?

Ansari: Yes, indeed.

Kissinger: If you approve the idea, we will have jointly to work out a complete program. It will require some subtlety. The benefit to Iran would be increased liftings and they would keep the price in mind. Among the other advantages to us is that of dealing with a country which has not joined an embargo.

President: For which we are grateful. I approve.

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<sup>2</sup> See Document 88.

<sup>3</sup> See Document 109.

Ansari: We will sit down and work out a plan to submit to you and His Imperial Majesty.

President: Perhaps for his visit.

Ansari: We think we are not exaggerating when we say our relations are very close and we should give more meaning to that. When you are working for peace in the Middle East we think we should cooperate together to turn the region into a bastion of peace.

President: If the foresight of the others was like yours, if we can divert their energies from war to peace, we can make great progress. We will do what we can with the peace negotiations and we appreciate His Imperial Majesty's responsible role.

Kissinger: His Imperial Majesty is a world statesman.

President: Shultz has also said that. I am looking forward to our meeting.

Ansari: Looking back on the Shah's outlook, I look back to the time when I was Ambassador here. Like you when you were in Vietnam, you need friends, and we want to strengthen our cooperation.

So far as Pan Am is concerned, we have had good talks and things are proceeding. We want to have productive investment in accordance with rules of each country. We want to consider it in a manner which would be beneficial to Pan Am and to both of us.

Kissinger: We are operating in a manner and on a scale which will be of great benefit to us both.

Zahedi: It is now with the CAB. We want to be helpful. Their problem is that it is not a profitable investment—they lost \$80 million. They blame it on the price of oil but we think it was management.

President: They have improved the management. They had very large overhead. If economic conditions improve they should be able to move rapidly to a profit.

Zahedi: We think they have made mistakes and still have too many high priced Vice Presidents.

President: The CAB doesn't always do what I want, but I am hopeful.

Ansari: Our thinking is that if this is to be an example of our cooperation, we should work to put Pan Am back on its feet. It should be a successful example so the U.S. Government should do whatever is necessary and we should, so it is a good example.<sup>4</sup>

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<sup>4</sup> According to a *Washington Post* article, July 21, Iran backed out of the investment in Pan Am, citing other Iranian priorities for development projects and Pan Am's internal issues. (p. A1)



President: The CAB has been working on the route structure and they have cut the overhead. They have dropped some unprofitable routes.

Zahedi: We signed yesterday for the sixth 747. We will probably exercise our option for six more.

Ansari: One other subject is nuclear energy. We are willing to invest about \$8 billion and to invest in an enrichment plant. We [You?] would have to insure the success of this effort by giving us access to this technology and its gradual transfer to us. Dr. Kissinger recognizes this as a subject which must be taken up and will be discussed with you.

President: I am not a technician, but the goodwill exists for a constructive solution.

Kissinger: There are technical obstacles but we hope they can be worked out.

President: The will exists.

Ansari: Thank you. We touched on relations with the European Community, co-production issues . . .

Kissinger: There is a problem of co-production costs. We will be in touch.

Zahedi: Yes. If this be the case, we may drop the proposal. What they say is that the cost of parts two years from now might increase 500%.<sup>5</sup>

Kissinger: The idea was they would produce the TOW missiles and the Maverick. Last year I said we would approve it in principle. I didn't know the prices, and it doesn't seem to make sense.

Robinson: We are investigating it. At the end, there would be a full operating plant.

Ansari: There seems to be a big difference in component costs. They are more than the whole missile bought here.

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<sup>5</sup> In telegram 1975 from Tehran, March 2, Helms advised Kissinger that the Shah had directed Ansary to discuss missile co-production with him. The Shah found projected Maverick co-production costs exorbitant, but considered TOW co-production more viable. (National Archives, RG 59, Central Foreign Policy Files, D750073–0359)

# 111. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, March 4, 1975, 1125Z.

2069. Subj: Iranian Resurgence Party Created by Shah.

*Summary:* Creation of Iranian Resurgence Party announced by Shah March 2 is move to seek broader support for Monarchy and the Shah–People Revolution. All Iranians of voting age are expected to express allegiance to new party or risk being viewed as opponents of Shah and even traitors who should leave Iran or go to prison. Shah explained Iran's return to single party system as necessary because "shameful utterances" by some Iranians showed need for Iranians to close ranks in effort to achieve "great civilization," and because opposition parties had failed. Elections scheduled for summer will apparently be held, but it is not clear how they will be organized. Net result is to make Iranian political system less flexible. International reaction will probably range from indifference to charges of increased totalitarianism. Shah apparently plans to continue active involvement in daily political affairs. This is contrary to earlier suggestions that he might be moving gradually to confine himself to broad policy guidance and leave implementation to government. *End summary.*

1. Shah's lengthy statement at his March 2 press conference, from which correspondents for foreign media were excluded, (text sent by airgram)<sup>2</sup> established Iranian Resurgence Party. New party will absorb ruling Iran Novin Party, loyal opposition Mardom Party, and the ultra-nationalist Pan Iranist Party and its splinter group the Iranian Party. Prime Minister Hoveyda is to be Secretary General for a period of at least two years. Shah will later propose chairman of new party's executive board and president for its political bureau. A party congress will be held, perhaps within two months. General elections will be held this summer under auspices of new party.

2. Shah's statement began with familiar recitation of Iran's growing self-reliance and economic independence contrasting sharply with its relative weakness in first half of century. He noted that opposition parties were created in response to his own wishes and commented that they had been faced with a difficult task. Shah observed that they had failed to fulfill their proper role. He commented that some Iranians had made "shameful utterances" which reflected a lack of understanding of Iran's goals. In order to weld all Iranians together

<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750075–0406. Confidential.

<sup>2</sup> Airgram A–42 from Tehran, March 5. (Ibid., P750049–0672)

in pursuit of goals of the Shah–People Revolution, he had, therefore, decided to create new organization which would suppress party differences. Only requirements for membership in new organization would be loyalty to (1) Monarchy, (2) Iran’s constitution, and (3) Sixth of Bahman (Shah–People) Revolution. He specifically said new party would foster constructive criticism, and he predicted that political wings would evolve within new party. He urged all Iranians eligible to vote to enter into new political structure or clarify their position. By this he meant that those who could not agree with the three principles should leave Iran or go to prison as traitors unless they openly expressed their disapproval and were not anti-national. If disapproval is ideological, person would remain free in Iran but “should not have any expectations.” Full participation in Iran’s progress would obviously require membership in the Iran Resurgence Party. He said it was his expectation that workers, farmers, and teachers would be the first groups to announce their loyalty to the new party.

3. *Comment:* Above all, Shah’s action in returning to single party system of 1964–67 period shows his extreme sensitivity to criticism and strong desire to receive overt evidence of popular support. After he experimented with tame opposition parties in 1956–64 period with poor results, Shah then turned to Hassan Ali Mansur’s Progressive Society to create Iran Novin Party as instrument to implement his Sixth of Bahman Revolution. Mardom Party was subsequently rejuvenated to stimulate Iran Novin to perform more effectively. Despite constant statements of loyalty to Shah and his plans for Iran, parties have apparently not pleased him. As indicated by failures of former Mardom Party Secretaries General Ali Naqi and Nasser Ameri, even activities of gelded opposition had proved too critical for Shah’s taste. Nevertheless his past statements indicated continuing support for concept of multi-party system in Iran, and Imperial decision to institute one-party state represents 180-degree shift in policy which also appears to negate earlier promises of freer elections later this year. Key section of speech is comment that he had heard “some really shameful utterances, which in no way should be expected from an Iranian. This scene, of course, has always recurred when Iran has been engaged in the defence of its rights at a historic juncture. This situation is intolerable.” Under these circumstances we doubt that much constructive criticism will emerge from the Iranian Resurgence Party.

4. In operational terms little has changed, for despite facade of “me-too” opposition parties Shah has always called the tune and only ruling Iran Novin Party had any importance. Prime Minister has been lead dancer, and his selection as SecGen at January party congress had tied Iran Novin Party even closer to Shah. Immediate consequence of new move has been flood of statements of loyalty to Shah, constitution and revolution, both by groups and individuals. There is clearly no vi-

able alternative for Iranians who want to participate actively in Iran's development and share its prosperity. All differences of view on how to implement Shah's plan for Iran will be suppressed until new party develops an ideology and its leadership is constituted.

5. Shah's speech is vague on goals of Iranian Resurgence Party and many other points. It is not clear, for example, how candidates will be selected for summer elections and on what platforms they will run. Speech shows signs of hurried preparation for issuance prior to his departure for Algiers. While most Iranians will accept new change with typical cynicism, implied criticism of all parties for failing to get behind Shah's push for revolution from the top may alienate some people, particularly those who have worked hard for Iran Novin Party on assumption they were carrying out Shah's wishes.

6. International reaction will probably vary from indifference to increasingly shrill charges of totalitarianism.<sup>3</sup> Iran's image as country in which all elements were being tapped in development process may suffer unless new party's membership comes from broad spectrum. It appears that earlier successful Iranian policy of compromise and cooperation has been replaced by "take it or leave it" stance in dealing with opposition.

7. In A-19<sup>4</sup> Embassy noted that Shah hopes to move toward situation in which he gives policy guidance but keeps his distance from daily activities of government. Initial impression of his action in creating new political party and forecasting his personal selection of some of its leaders is that he has returned to more direct involvement in the business of government. Better judgment on this point can be made when function of new party becomes clear.

8. In sum, given existing strict degree of political controls, Shah's decision to meld all political parties into one appears to offer little in way of improvements to Iranian political system while adding several disadvantages both domestically and internationally.

## Helms

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<sup>3</sup> DIA Defense Intelligence Notice DIADIN 500-75, March 4, observed that "Iranians have recently become increasingly sensitive to criticisms in the U.S. press concerning authoritarian rule in Iran, massive purchases of U.S. arms, and Iranian investment in U.S. business. This open disavowal of multiparty politics will almost certainly cause additional outcries in the U.S." It speculated that the Shah "has obviously reached the conclusion that his petrodollars, being sought by both the U.S. and USSR, can override ideological convictions and assure Iranian independence from superpower restraints." The move might also presage a major Cabinet reshuffle or reversal in foreign relations, the report concluded. (Washington National Records Center, OASD Files: FRC 330-78-0058, Box 65, Iran 000.1-299, 1975)

<sup>4</sup> Dated January 28. (National Archives, RG 59, Central Foreign Policy Files, P750027-2355)

**112. Memorandum From David Elliott of the National Security Council Staff to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, March 12, 1975.

SUBJECT

U.S.–Iran Agreement on Cooperation in Civil Uses of Atomic Energy

Ingersoll has written to you asking to have an NSC sponsored interagency group reexamine the U.S. position on a U.S.–Iran Agreement on Cooperation in Civil Uses of Atomic Energy (Tab B).<sup>2</sup> The situation is:

—Following the Indian nuclear explosion, we resolved to tighten up on the terms of our future Agreements to preclude the use in explosives of plutonium produced from our enriched uranium or in our reactors.

—Egypt, Israel, and Iran just happened to be the next in line for Agreements.

—Egypt and Israel have rejected our Agreements: Israel because it did not want to safeguard Dimona, and Egypt because of Israel's attitude.

—Iran is an NPT party and hence has already accepted most of the restrictions we want. The one additional restriction we are seeking (and which HAK approved in December)<sup>3</sup> is a right to veto where the plutonium produced in the reactor is processed and stored. (This would not become an actual question before the mid 80s.) Such a provision would allow us to require the plutonium to be kept out of the country if we were concerned about Iran's stability or intentions.

—Iran has objected to this provision, mainly because the restriction has not been applied before. State sought to reassure them with a draft note indicating that the U.S. is sympathetic to Iran's industrialization plans and needs, and would not take actions which would inhibit the implementation of these plans. (I.e., we would not be arbitrary in imposing our plutonium veto.) Iran did not immediately buy it; but we might push harder along this line.

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 34, NSSM 219. Secret. Sent for action. The memorandum was sent under a covering note from Elliott to Scowcroft that reads: "We have only a few days to carry out the proposed study. I hope you can sign out this package today."

<sup>2</sup> Attached but not printed.

<sup>3</sup> See Document 91.

—The nuclear deal is an important part of the U.S.–Iran economic cooperation package. HAK would like this issue resolved before the Shah’s visit. Our problem is that even if we can convince ourselves that a greater good would be served by falling off our plutonium veto, Congress may not approve the Agreement if (1) they think it weak, or (2) find out that we have caved. Also, our protestations to other nuclear suppliers about the importance of imposing stricter controls may be considerably less convincing if our actions don’t match our words. Further, if we wish to pursue a nuclear agreement with Egypt or Israel at a later date, we would have more difficulty imposing special restrictions if we had not done so in the case of Iran.

It seems appropriate for us to convene a group from State, ACDA, and ERDA to look at our options and the pros and cons. Ingersoll—who would like an interagency paper by March 20—indicates that HAK wants to deal with this very soon after his return.

One bureaucratic problem also needs your decision. Ingersoll asks you to report to him on our study, which can certainly be done informally. But, it seems to me that the study would have to be officially carried out for the President and I have written up the NSSM accordingly.

Arthur Houghton concurs.

*Recommendation:*

That you sign the NSSM at Tab A.<sup>4</sup>

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<sup>4</sup> Printed as Document 113.

**113. National Security Study Memorandum 219<sup>1</sup>**

Washington, March 14, 1975.

TO

The Secretary of Defense  
The Deputy Secretary of State  
The Director, Arms Control and Disarmament Agency  
The Administrator, Energy Research and Development Administration

SUBJECT

U.S.–Iran Agreement on Cooperation in Civil Uses of Atomic Energy

The President has directed a study of the issues involved in reaching an acceptable agreement with the Government of Iran which would allow nuclear commerce between the countries—specifically, the sale of U.S. nuclear reactors and materials, Iranian investment in U.S. enrichment facilities, and other appropriate nuclear transactions in the future. The study should consider, but not be limited to, the following:

—The rationale of the current U.S. position, and the status and prospects for negotiating an Agreement on that basis.

—The potential impact of the U.S. position on Iran’s nuclear development plans.

—Alternatives for a U.S. position, with pros and cons, including an assessment of the effect of each on our non-proliferation policy.

—The relation of nuclear commerce with Iran to the broader question of U.S.–Iran cooperation.

—The outlook for Congressional support of a U.S.–Iran Atomic Energy Agreement.

The study should be carried out by an ad hoc group chaired by a representative of the NSC, and submitted no later than March 19.

**Henry A. Kissinger<sup>2</sup>**

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<sup>1</sup>Source: Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, Box 2, NSSM 219. Secret. A copy was sent to the Director of Central Intelligence.

<sup>2</sup>Scowcroft signed for Kissinger above this typed signature.

# 114. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, April 6, 1975, 1300Z.

3058. Subj: Shah's Visit to Washington.

1. At audience on April 5, the [Shah] confirmed that the date of his State visit to Washington had been moved up to May 15 in order to permit two days of official functions before the weekend. He mused out loud about the trip wondering whether it could produce something constructive and tangible or whether it would simply be a pleasant visit for the Empress and himself with President and Mrs Ford. In reply to my question, he identified three areas which might be on agenda for discussion: (A) The terms to which Iran must agree in order to purchase nuclear reactors in the United States. The Shah expressed the view that the present terms were not clear, and he wondered why this should be the case when Iran has signed the Nonproliferation Treaty. In other words, he is obviously bridleing under what the USG now believes he must agree to in order to buy nuclear plants from the United States. (*Note:* We yet to receive formal GOI response to our proposal (Tehran 2862)<sup>2</sup> but this may give us some clue as to what it will be.) (B) Arms deliveries from the United States. The Shah is concerned about what he regards as an increasing inclination by the United States to cut off arms deliveries to various countries. He finds this worrisome. He comments that he realizes it would be unlikely for the United States to do this to Iran, but he did point out, somewhat acidly, that the United States was becoming like the Soviets. He then said that the Soviets had reneged on the delivery of some special radar-operated anti-aircraft guns which the GOI had ordered and had been promised. He obviously will be looking for some convincing reassurances on this point. (C) Swapping of oil for quantities of goods. The Shah stated that Secretary Kissinger had said he was favorably disposed during their talk in Zurich<sup>3</sup> on con-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750119–0617. Secret; Exdis.

<sup>2</sup> In telegram 2862 from Tehran, March 30, the Embassy reported Etemad's unofficial objections to points of the draft agreement on nuclear cooperation, including the necessity of agreeing with the United States on where the reprocessing of spent fuel would take place and the limitation on the import of enriched U.S. uranium. Telegram 3306 from Tehran, April 11, transmitted an informal note from the Atomic Energy Organization of Iran with comments on the draft agreement. In telegram 3445 from Tehran, April 15, the Embassy stressed that agreement on the nuclear energy issue was critical to the success of the Shah's visit. (All *ibid.*, D750110–0785, D750126–0578, D750131–0310)

<sup>3</sup> See Document 103.



sidering the swapping of oil at fixed prices for goods from the United States at fixed prices. The Shah said he had also discussed this matter with Mr George Shultz.<sup>4</sup> His idea is that the United States take a greater supply of oil from Iran, thus permitting an arrangement whereby it takes an increasing amount of goods from the United States.

2. The Shah may have other items for discussion in Washington, but the foregoing is all he mentioned before our talk was ended by the arrival of Senator Javits.

3. Understand there some general thinking in Washington about relating one or another specific developments growing out of Joint Commission activities to Shah visit. Please advise what these might be and how/when Shah to be clued in.

**Helms**

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<sup>4</sup> See Document 100.

**115. National Security Decision Memorandum 292<sup>1</sup>**

Washington, April 22, 1975.

TO

The Secretary of Defense  
 The Deputy Secretary of State  
 The Director, Arms Control and Disarmament Agency  
 The Administrator, Energy Research and Development Administration

SUBJECT

U.S.–Iran Nuclear Cooperation

The President has reviewed the study directed by NSSM 219 and has noted the comments and recommendations of the agencies.<sup>2</sup> The President has decided that in negotiating an Agreement on Cooperation in the Civil Uses of Atomic Energy with the Government of Iran, the U.S. shall:

—Permit U.S. material to be fabricated into fuel in Iran for use in its own reactors and for pass-through to third countries with whom we have Agreements.

—Agree to set the fuel ceiling at a level reflecting the approximate number of nuclear reactors planned for purchase from U.S. suppliers. We would, as a fallback, be prepared to increase the ceiling to cover Iran's full nuclear requirement under the proviso that the fuel represents Iran's entitlement from their proposed investment in an enrichment facility in the U.S. Any additional entitlement could be disposed of by Iran without importing the material into that country through sales from the United States to appropriate third countries with whom the U.S. has bilateral Agreements for Cooperation.

—Continue to require U.S. approval for reprocessing of U.S. supplied fuel, while indicating that the establishment of a multinational reprocessing plant would be an important factor favoring such approval.

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<sup>1</sup> Source: Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, Box 1, NSDM 292. Secret. A copy was sent to the Director of Central Intelligence.

<sup>2</sup> The undated NSSM 219 study noted that the key provision at issue on nuclear cooperation with Iran was the U.S. "right to determine where any plutonium produced through the use of U.S. materials and equipment can be reprocessed, fabricated or stored." The study presented five options: 1) to insist upon this right; 2) to indicate willingness to approve if Iran constructed a safeguarded multinational plant; 3) to retain the U.S. right of veto over reprocessing but drop the multilateral condition and approve Iranian reprocessing in a safeguarded facility; 4) to drop the U.S. veto over reprocessing if assured that it would be performed in a multinational regional facility; and 5) to accord Iran the same right to reprocess given all other nations save Israel and Egypt. (Ibid., NSC Institutional Files, Box 34, NSSM 219) NSSM 219 is Document 113.

As a fallback, we could inform the Government of Iran that we shall be prepared to provide our approval for reprocessing of U.S. material in a multinational plant in Iran if the country supplying the reprocessing technology or equipment is a full and active participant in the plant, and holding open the possibility of U.S. participation. The standard provision requiring mutual agreement as to safeguardability shall apply. An expression of U.S. willingness to explore cooperation in establishing such a facility at an appropriate time should Iran so desire, may be made.<sup>3</sup>

Henry A. Kissinger

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<sup>3</sup>Subsequent to a meeting of the Verification Panel on April 19, Elliott had sent Kissinger an action memorandum recommending this position, which had the approval of all agencies. (Ford Library, NSC Institutional Files, Box 34, NSSM 219) The record of the meeting of the Verification Panel is *ibid.*, Box 4, Verification Panel Meeting, 4/19/75—Non-Proliferation.

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**116. Memorandum From Secretary of Defense Schlesinger to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, April 25, 1975.

SUBJECT

Nuclear Cooperation Agreement with Iran: NSSM 219

The proposed study response to NSSM 219<sup>2</sup> has been reviewed by the Department of Defense. We recognize the importance of the US-Iranian relationship both for energy and national security. At the same time, due to the potential for instability and uncertain political situation in the Middle East, the proposed agreement for nuclear cooperation could have serious national security implications in the future.

We feel the United States policy with respect to the spread of foreign fuel reprocessing capabilities should be to delay the operation of such nuclear fuel reprocessing facilities for as long as possible. In par-

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<sup>1</sup> Source: Washington National Records Center, OSD Files: FRC 330-78-0058, Box 66, Iran 300-900, 1975. Secret. A briefing memorandum from Jordan to Schlesinger is attached but not printed.

<sup>2</sup> See footnote 2, Document 115.

ticular, we should avoid arrangements which would result in stockpiling plutonium in sensitive areas of the world, such as the Middle East, until we are assured that bilateral or international control measures are adequate to prevent national or sub-national appropriation of stocks of plutonium for use in explosive devices.

Although it is not discussed in the paper, it is essential that any public affairs discussion or announcement relative to an agreement on nuclear cooperation with Iran be closely attuned to the NPT Review Conference which will be occurring in Geneva at the time of the Shah's scheduled visit to Washington.

The Chairman of the Joint Chiefs of Staff and I recommend that U.S. negotiators be permitted to support Option (3) modified to retain U.S. insistence upon multilateral participation in any Iranian nuclear reprocessing facility. Further, the negotiators should be authorized to state that barring unforeseen developments we would expect to give Iran our specific approval for reprocessing at a time consistent with the Iranian power reactor program's need for fuel reprocessing in the mid-1980s. Option (3) amended would then read as follows: *Retain the explicit U.S. right to approve whether and where any future reprocessing activity of U.S. fuel provided Iran could occur. Iran would be informed that, barring unforeseen circumstances we would expect to give Iran our specific approval for reprocessing at a time consistent with the Iranian power reactor program's need for fuel reprocessing in the mid-1980s. Iran would further be asked to agree to treat the multilateral processing facility as if it were a safeguarded facility acquired from the U.S. under our agreement for cooperation. This would help assure that our bilateral safeguards would apply to the plant and its products if IAEA controls under the multilateral arrangement are terminated for any reason. It would also be understood that the actual reprocessing would be contingent on the normal mutual finding that the multinational facility is safeguardable.*<sup>3</sup>

J. R. Schlesinger

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<sup>3</sup> Telegram 105914 to Tehran, May 6, sent a draft text of the Agreement for Cooperation Concerning Civil Uses of Atomic Energy for transmission to the Iranian Atomic Energy Organization. (National Archives, RG 59, Central Foreign Policy Files, D750159-0327)

**117. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford<sup>1</sup>**

Washington, April 30, 1975.

**SUBJECT**

Co-Production in Iran

The Chairman of the NSC Under Secretaries Committee (USC) has forwarded for your approval a study of Co-production in Iran (Tab B).<sup>2</sup> Co-production is, in essence, the manufacture or assembly of U.S. weapons under license abroad. It is an alternative to arms purchases in the U.S. and has been exhaustively examined because it could create serious economic and political liabilities rather than advantages for the U.S.

The USC study reports that there is a consensus among participating agencies—including State, Defense, Treasury, Commerce, and Labor—that co-production can be, if carefully handled, a useful adjunct to an established military supply relationship and, increasingly, a form of political cooperation which friendly states will request as a supplement to large purchases of U.S. military equipment manufactured in the U.S.

At the same time, given the industrial, managerial and technical difficulties of co-production, it does not seem likely that underdeveloped countries like Iran will want to—or be able to—develop co-production to replace purchases to any great degree. Even where co-production projects are implemented successfully, the need for U.S. advice and support—from contractors and the U.S. Government—will create a dependent arms industry which will tend to tie those countries to a foreign policy of mutual interests with the United States.

The Chairman also reports a consensus that even under limited forms of co-production there are likely to be U.S. financial and economic benefits which will be as great or greater than the benefits of direct sales. This is because per unit cost is likely to be greater and jobs for U.S. employees just as great. (The Labor Department, while not disagreeing with this conclusion, wishes to observe specific examples of co-production before it is convinced that the economic and financial impact will be favorable to the U.S.)

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 74, NSC-U/DM-131, Co-Production in Iran (3). Confidential. Sent for action. A stamped notation on the memorandum indicates the President saw it.

<sup>2</sup> Dated March 22; attached but not printed.

Finally, the study concludes that particular projects will have to be carefully screened to protect defense technology of the U.S. Government and to limit our official involvement in Iranian or other foreign arms industries, and that all projects need to be carefully reviewed in advance with other governments to ensure that our requirements will be met and that future misunderstandings are minimized.

Based on the above analysis the USC recommends:

—That in the near term, we approve on a case-by-case basis, a limited number of co-production projects in Iran. These projects should generally be undertaken between a U.S. contractor and the Government of Iran rather than under DOD supervision.

—Approval of additional cases in the long-term after a thorough evaluation of initial co-production products.

—Proceeding in all instances on a case-by-case basis using newly-prepared guidelines which insure that Iran has primary responsibility for the successful completion of the project and can export co-production items to third countries only with prior U.S. written approval. Also, these guidelines authorize the Under Secretary of State to coordinate inter-agency consideration of particular requests for co-production agreements in Iran, and in the event of a disagreement to refer the matter to the USC or to you.

—That selected Congressmen and Senators be thoroughly briefed on the limits and character of our co-production projects in Iran in order to limit any increase in Congressional concern with U.S. military supply policies in the Middle East.

I believe the conclusions and recommendations of the USC are sound as applied to Iran, and that the guidelines and procedures are satisfactory for considering co-production requests from other countries.

I also believe—and Max Friedersdorf agrees—that the limited number of the co-production projects which will be carried out in Iran will not per se be a cause of great Congressional concern. At the same time, the concern of Congress for arms sales in the Middle East is growing and close consultation will be necessary to avoid restriction on executive authority in this area.

At Tab A is a memorandum to the Chairman of the Under Secretaries Committee, conveying your approval of the conclusions and recommendations he has made on co-production in Iran.<sup>3</sup>

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<sup>3</sup> Not attached.

*Recommendation*

That you authorize me to sign the memorandum at Tab A.<sup>4</sup>

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<sup>4</sup> The President initialed his approval of the recommendation. The signed memorandum, May 2, reads: "The President has reviewed the study conducted of Co-production in Iran and approves both the conclusions and recommendations in your memorandum to the President of March 22, 1975." (Ford Library, NSC Institutional Files, Box 42, NSSM 238 (3))

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**118. Minutes of the Secretary of State's Staff Meeting<sup>1</sup>**

Washington, May 5, 1975.

[Omitted here is discussion unrelated to Iran.]

Secretary Kissinger: Somebody said that the Shah wants us out of Bahrain.

Mr. Atherton: I was going to mention that also. We came to an agreement with the Bahrain Government some weeks ago on a renewal of the agreement. They have not yet ratified this; they are waffling on it.

They are concerned about the parliament. The parliament has a sense of parliament resolution pending which would in effect call for the removal. It wouldn't be binding, because the government is trying to decide whether to go ahead and conclude before or after the parliament considers this item.

They're just going to go on dragging their feet for some time.

Now, the Shah—

Secretary Kissinger: Can we use it in the meantime?

Mr. Atherton: Yes. We're using it on the basis of the unsigned agreement. We're using it without an agreement.

Secretary Kissinger: Then why do we care?

Mr. Atherton: Well, for the moment it's not a problem. It's a problem on the horizon. The Foreign Minister said he can even envisage a resolution by the parliament by next year which would call for

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<sup>1</sup> Source: National Archives, RG 59, Transcripts of Secretary of State Kissinger's Staff Meetings, 1973–1977, Lot 78D433, Box 3, Secretary's Staff Meetings. Secret. Kissinger presided over the meeting, which was attended by all the principal and regional officers of the Department or their designated alternates. A table of contents and list of attendees are not printed.

the removal and would be binding on the government. His final words were that we could stay there until 1976, but after that he's not so sure.

Now, this coincides with an interview the Shah gave before he left Tehran,<sup>2</sup> in which he said that he felt there should be no major power presence in the Gulf. And he alluded specifically to the Mideast force as an example. But he put it in the context of it being conditional upon the Iraqis seeing that the Soviets didn't have any facilities.

So this is not really a new line, and the Shah said this before—while telling us privately that he wants us to stay as long as the Soviets are around. What's new really is timing—saying it at the moment just before coming here.

Secretary Kissinger: Yes, but his intention is clear. His calculation must be that the Soviets must have a larger presence there than we; and he'd rather have us both get out than have them alone.

Mr. Atherton: That's right. His goal is to see no outside force present, but this is not a request that we get out. But still the fact that he now said this publicly, I think psychologically is not good. And, in a way, I think it reflects the kind of state of mind in which he's coming here next week.

I think we can focus on this because he's coming with a lot of questions—some gnawing doubts about our determination and ability to play a role he wants us to play.

Secretary Kissinger: Why would he have this idea?

Mr. Atherton: Well, it's been growing for some time. It's been growing for some time—the hostile attitude of the Congress towards him is worrying him. I think we're going to have a lot of work to do to send him away from this trip satisfied.

Secretary Kissinger: We have to face the fact that words are no longer enough. Our currency is talk. We can say six times a week that we maintain all commitments. Who seriously believes in the case of a North—what is more likely in the case of a North Korean attack—declarations of intent or talk? All the rest of it is nonsense. We can say it a hundred times. And if a war starts in Korea, in my judgment, it is more likely that the Congress will pass an evacuation resolution and permit us to put additional forces in and that we will face in Korea exactly the same situation as we did in Viet-Nam.

And other countries aren't stupid, and I think that's what we ought to focus on.

Mr. Sisco: Well, I can see this generalized concern on the part of the Shah, but I don't see any basis for his complaint. I don't think anything

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<sup>2</sup> Reference is presumably to the Shah's comments to the *London Observer*. See Document 123.



has been held up in any serious way with the Shah. He's watching the trends. As far as the Bahrainis—I don't know whether Roy would agree or not—this government has always been very, very nervous about this situation; and they have constantly referred to "How are the Arab-Israeli negotiations going?" I feel that the suspicion of the negotiations may very well have contributed to this further reserve on their part.

Secretary Kissinger: The Shah's concern isn't that we hold up the equipment. If he looks at the Congressional limit on arms sales, he doesn't have to worry about what happens in any one year but what happens in two or three years. But what he's worried about is our conducting an active foreign policy.

If I were the Shah, I would worry that maybe Pakistan is going to be dismembered. Who's going to stop the Pakistanis?

Let's put an aircraft carrier now in the Indian Ocean and see what happens. Would you consider it unlikely that there will be another attack on Pakistan? I don't—not this year.

Mr. Atherton: No. In the course of—

Secretary Kissinger: The next three years.

Mr. Atherton: I've always felt that India has not given up the goal of seeing Pakistan further dismembered.

Secretary Kissinger: Within three years they'll try to reduce it to the status of Nepal—just keep the Punjab, or something like that.

[Omitted here is discussion unrelated to Iran.]

## 119. Memorandum of Conversation<sup>1</sup>

Washington, May 5, 1975, 9:15 a.m.

### PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs

Lt. Gen. Brent Scowcroft, Deputy Assistant to the President for National Security  
Affairs

[Omitted here is discussion unrelated to Iran.]

[Kissinger:] The Shah is showing great reservations about us, our role in the Middle East, our military supply to them. Your meeting with him is very important. He has got to know we will be with him in a pinch, because he is very capable but very ruthless. You must be very frank with him—about a Qaddafi [type] takeover in Saudi Arabia, for example. No one knows that Nixon promised him support for an Iranian operation against a new regime.<sup>2</sup>

President: Are we moving along on our joint programs?

Kissinger: We are up from 15 to about 24 billion now. We have to figure out how to buy the oil. The best way we have figured is to give non-interest-bearing notes to be paid in three years—that saves us the interest. The other is an oil-for-arms swap, but our government is not structured well that way.

President: That sounds simpler. We are in the throes of putting together an RFC which could be a device we would use.

Kissinger: That is another way. I think you should clinch a deal. If we could get 500,000 barrels a day over what we have, that would be the first cracking of the cartel. If we could get it for \$7–8 a barrel.

President: That would be a boost to the economy.

Kissinger: We may have to promise a fixed price for several years. Then the people will complain the price may drop. I don't think that will happen, when the recession ends.

[Omitted here is discussion unrelated to Iran.]

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 11. Secret; Nodis. The meeting was held in the Oval Office.

<sup>2</sup> See *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1976, Documents 200, 201, and 204.

**120. Intelligence Information Cable<sup>1</sup>**TDFIR [*cable number not declassified*]

Washington, May 8, 1975.

## COUNTRY

Iran

## DOI

March–[*less than 1 line not declassified*] 1975

## SUBJECT

Increased Dissension in Iran as a Result of Corruption, Suppression, and Disillusionment

## SOURCE

[*4½ lines not declassified*]

1. Dissent among civil servants in Iran has now reached an alarming degree, even though superficially everything appears normal on the surface. Students and labor groups have always been sources of discontent, but now this malaise has reached the civil servants. This dissidence has developed from a growing awareness of the extent of graft and corruption among high government officers, the signs of luxurious living by these officers as manifested by the increasingly large numbers of Mercedes cars, the lack of efficiency in government operations, and the dismay over the establishment of a new political party which will not satisfy the growing urge for greater democracy.<sup>2</sup>

2. [*2½ lines not declassified*] stated that the only way to stamp out graft and corruption in Iran would be to execute about 25 of the top government officials starting with Minister of Court Amir Assadollah Alam, about whom [*less than 1 line not declassified*] is very bitter. [*less than 1 line not declassified*] said that individual Iranian entrepreneurs are making exorbitant commissions, in one known case as much as U.S. \$12 million on one transaction alone. He said the Iranian people will not tolerate such manipulations.

3. Because all forms of self-expression, such as an uncontrolled press, educational forums, and political discussion groups, have been banned or are under tight control, public discontent has no way to vent itself and appears to be building up. People are now talking about how

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<sup>1</sup> Source: National Archives, RG 59, NEA/IRN Files: Lot 77D400, Box 10, Iran, 1975. Secret; No Foreign Dissem; Controlled Dissem; No Dissem Abroad.

<sup>2</sup> See Document 111.

the “gold rush” could be over within six months when the high price of oil set by the Organization of Petroleum Exporting Countries (OPEC) could collapse, that Iran could then be deprived of its high foreign exchange earnings, and the country might again become economically retarded.

4. It now appears that Hoveyda will remain as Prime Minister for at least the next two years and will head the new Resurgence Party of the People of Iran (RPPI). He has maintained his close ties and support from SAVAK; he has bought off or repressed any political opponents who appear on the scene; he insures that every major political grouping is being provided with funds to their satisfaction, but his government is simply unable to fulfill the growing demands and expectations of the people.

5. The public’s high expectations for the new RPPI are being dashed. The sudden awareness of democracy and democratic principles is not being allowed to develop; there has been no increase in domestic production of goods and services—everything is being imported with the excess of foreign exchange earned from oil exports, so that the prosperity promised to everyone is being enjoyed by a few.

(*Headquarter’s Comment: [less than 1 line not declassified]* if the RPPI fails to attract the intellectuals, students and young technocrats whom the Shah hoped to attract, the Iranian Government will be further weakened. He believes that the first crucial step will be the selection of new people to fill top government and party positions, and for this to succeed there must be a “bridge” between the Shah and the key sectors of population from whom new persons must come. He sees Empress Farah as one element of that bridge because she has not been involved in power politics and is liked and respected by the people.)

6. Following the national elections in June 1975, it is anticipated that there will be several Cabinet changes. Among such changes will be the removal of Dr. Abdol-Hosein Samii as Minister of Science and Higher Education. Hoveyda has indicated he plans to appoint only those persons to the Cabinet whom he can personally control. Minister of Interior Jamshid Amuzegar appears to be gaining influence with the Shah, whereas less is now being heard of Minister of Economy Hushang Ansari.

7. [*1½ lines not declassified*] tuitions and other student fees are not the real cause for the continuing student demonstrations which have kept at least one university in Iran closed at any one time; the real reason is disaffection with the government. The quality of education is declining as a result of this disaffection and the constant student demonstrations. [*4 lines not declassified*] This feeling of insecurity is spreading among senior administrators in the government.

8. [*less than 1 line not declassified*] there is a growing seriousness to the problem of terrorism in Tehran. He said there are almost daily skirmishes with terrorist elements on the streets in terms of leaflet distribution and sniping at policemen, but that only the highly organized assassination teams' infrequent successes are being reported to the Shah. [*1½ lines not declassified*] said he had information that as many as 200 persons were killed during various terrorist forays during the last year.

9. [*less than 1 line not declassified*] said that the new manifesto issued in March 1975 by exiled Iranian religious leader Ayatollah Ruhollah Khomeini attacking the RPP<sup>3</sup> is not only being distributed in Tehran but also among dissident Iranian students abroad. (*Headquarters Comment: [1½ lines not declassified]* the pamphlet warned that participation in the party will be considered a breach of religious principles. This pamphlet is being distributed in the Washington, D.C. area.)

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<sup>3</sup> The manifesto issued by Khomeini from his exile in Iraq advised all true believers to stay away from the new party.

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## 121. National Intelligence Estimate<sup>1</sup>

NIE 34–1–75

Washington, May 9, 1975.

### IRAN

#### Précis

A. We see little prospect during the next few years for a serious challenge to the Shah's authoritarian control over Iran's internal affairs and programs. Nevertheless, the Shah's monopoly of decision-making and his trend toward greater repression of opposition will incur certain political costs:

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<sup>1</sup> Source: Central Intelligence Agency, NIC Files, Job 79R01012A, Box 496, Folder 3. Secret. The Central Intelligence Agency and the intelligence organizations of the Departments of State, Defense, and Treasury; the NSA; the Energy Research and Development Administration; and the Army, Navy, and Air Force participated in the preparation of this estimate. The Director of the CIA submitted this estimate with the concurrence of all members of the USIB with the exception of the representative of the FBI, who abstained on the grounds that it was outside the FBI's jurisdiction.

- growing alienation and dissent, including terrorism, on occasion with anti-US overtones;
- limited bureaucratic and governmental effectiveness in implementing the Shah's ambitious objectives;
- the stifling of political institutions which could maintain stability after the Shah's demise.

B. The Shah is unlikely to change his course materially; hence strains within Iranian society seem destined to grow as other sectors of life modernize and the pressure for political participation becomes more insistent. In the event of the Shah's early death, competition for power could lead to serious instability.

C. In the short run, Iran will be able to obtain the finances necessary to accomplish the Shah's dramatic economic development objectives but will be constrained by:

- an inadequate agricultural base;
- serious shortages of skilled and semi-skilled labor;
- port and transportation bottlenecks.

As a result, we anticipate a slowdown in the rapid pace of Iran's economic expansion over the next few years. In the longer run, if oil revenues do not rise significantly there will be current account deficits due to increased expenditures in military, industrial, and agricultural products. Even so, Iran will provide opportunities for significant economic gains for the US in investment and trade.

D. By the end of this decade, Iran will have acquired a formidable military arsenal capable of projecting significant ground and air forces into the Arabian Peninsula and South Asia and a blue water navy capable of routine operations in the Indian Ocean. Iranian combat effectiveness, however, will remain limited by lack of training and the ability to maintain sophisticated equipment. Foreign support, particularly from American technicians, will remain essential to Iran's military establishment for many years. The Shah is not likely to seek nuclear weapons in the near future, but he will probably attempt to acquire the necessary technology.

E. The Shah is likely to grow increasingly assertive in his foreign policies. He would risk confrontation with the Arabs, the West, or even the Soviet Union in order to assert Persian primacy in the Gulf or to maintain what he considers a sufficiently high level of oil revenues. Although he will remain suspicious of Soviet intentions and will continue to rely on the US as the ultimate deterrent to the USSR, the Shah believes he has taken out insurance in the form of economic and political ties and that he can deal effectively with the Soviet Union on his own under foreseeable circumstances.

F. Iran will be prepared to deploy forces unilaterally in order to forestall a radical upset in the Gulf. There are also prospects for greater

cooperation with Saudi Arabia's Prince Fahd and, following Iraq's recent regional overtures, for a reduction in Iraqi-Iranian hostility. Iran's relations with South Asia will remain limited over the short term; the Shah is likely to limit his financial backing for Pakistani arms purchases. In the Middle East, the Shah will probably continue to expand his relations with Egypt, and it is becoming less likely that Iran would supply Israel with oil in the event of resumed hostilities.

G. US-Iranian relations are likely to become more difficult in coming years. The Shah is seeking to remove both the US and Soviet military presence from the Persian Gulf and the Indian Ocean and to establish his own regional collective security arrangements in the Gulf; while he will tacitly approve of US naval operations in these waters as long as the USSR keeps naval vessels on station there, we cannot depend on him to provide access to Iranian facilities to support fleet units, and he will probably use his influence to end our use of Bahrein.

H. Specific problem areas include:

- the Shah's efforts to maximize oil prices and the buying power of oil;
- arms procurement and the pressures that the Shah may levy to ensure his perceived military and security requirements are met;
- the growing number of Americans in Iran, expected to reach about 50,000 by 1978;
- Arab-Iranian rivalries forcing the US to choose sides;
- the question of safeguards for nuclear equipment and fuels.

I. The Shah's strategy in dealing with the US is likely to continue to be based on efforts to expand economic ties with the US to offset strains developing from his growing political independence. He provides important intelligence facilities for use against the USSR and would probably cooperate in facilitating US political initiatives in Middle Eastern diplomacy. While over the short term, US and Iranian interests are likely to be largely compatible, we can no longer rely on the Shah to accommodate US interests in the increasing number of areas where his interests diverge from ours.

J. While US-Iranian relations would come into question if the Shah should leave the scene, much of the relationship has become institutionalized to the point where it transcends the Shah. Power would rest at least initially on a military-bureaucratic coalition, but they would come under increasing pressure and we cannot now foresee the nature of the regime which will ultimately succeed the Shah. But even a more extreme regime probably would not immediately seek to restructure the present relationship in drastic ways given the Iranians' view of their interests and the importance of the US connection.

## Discussion

### *I. Domestic Policies and Prospects*

#### *The Shah*

1. In Iran today, the state and the Shah are virtually one. The Shah has succeeded in concentrating power and decision-making firmly in his own hands. In the process, he has removed or neutralized every official who might challenge him and has stifled the capacity of the political system to act without him. Thus to understand the Iranian political system one must understand the personality and character of the Shah himself.

2. Since his earliest years, the Shah has been imbued with a sense of specialness. This has been translated into his mission to modernize his country economically and militarily so that he and Iran can play a major role in world affairs and dominate the Persian Gulf. Proud of his image as a royal revolutionary, he has been directing the "White Revolution" for over a decade to transform Iran into a modern state. To the Shah social justice means primarily closely-supervised economic development to raise the living standards of the masses. He regards Iran's growing prosperity as an essential antidote to pressure for far-reaching political transformation.

3. The Shah has no intention of sharing political power. He views Iranian politicians as by nature fractious and uncooperative and prefers to work through a small coterie of loyal and tested assistants. His willingness to tolerate limited party competition stemmed from the desire to appease critics in the West and among Western-influenced elements of the population. But he has long been mistrustful of the parliamentary process. In his view, representative government is at best a distant goal suited for a successor, although he feels defensive about the anachronistic appearance of absolute monarchy in the last quarter of the 20th Century.

4. The Shah is a man in a hurry. He is only 55 years old and is in good health. But he appears to fear that unless he impels Iran much further along the path of modernization, his successor will be unable to sustain the momentum. His urgency is also stimulated by the conviction that Iran must develop before its oil runs out or the value of its oil is undercut by alternative sources of energy. The forced-draft nature of all his projects suggests that he has a deadline in mind. The Shah probably wishes, by staying ahead of demands for changes, to move fast enough that when his son comes of age six years hence Iran will be at the point of self-sustaining development. This concern may be evidenced in the Shah's remark last year that while the Crown Prince could do much good as king in the future if he were willing, "we are fixing things so he can do no harm."



5. In this situation, the Shah will not give up his exclusive responsibility for all major and many minor decisions. If anything, this method of operation is likely to become more pronounced. Particularly since his celebration of the 2,500th anniversary of the Persian monarchy, his sense of infallibility has become more apparent and he has become more isolated from opposing views. Several recent major decisions appear to have been taken by the Shah with little consultation even with his coterie: for example, the creation of a new single-party system, and the agreement with Iraq at the expense of the Kurds. The Shah seems likely to make more decisions without reference to his advisers. While his judgment has proved generally sound thus far, and is likely to continue so, nonetheless, his monopoly of the decision-making process inhibits the development of institutional mechanisms and imposes an even greater burden on his energies and wisdom.

*The Institutional Context*

6. In Iran, politics revolves around personalities and cliques, not formal associations and institutions. Parties, cabinets, and parliaments are merely the stage on which these cliques interact. The crucial questions, therefore, center on the quality and competence of particular individuals, the position of these individuals vis-à-vis the monarch, and the coalitions and rivalries among these cliques.

7. The most important political clique in Iran is the coterie of individuals surrounding the Shah. This group consists of a dozen old classmates, trusted advisers, loyal military and civilian officials, and relatives. A key figure is Empress Farah, the mother of and designated Regent for 14-year-old Crown Prince Reza. Although the other members of the inner circle remain deferential to the monarch and isolated from the rest of Iranian society, the Empress, his own private network of informants and consultants, and SAVAK (the national intelligence organization), are his principal means of keeping in touch with developments in Iran. The Empress has a reputation for integrity unusual for the inner circle and enjoys considerable, although diminishing, respect among educated Iranians.

8. Cliquishness, personal insecurity, and inertia dominate the Iranian bureaucracy. While the Shah recognizes that these traits have hampered the implementation of his policies, the administrative transformation mandated by the White Revolution has foundered on the Shah's own reluctance to reward individuals who display initiative, efficiency, and judgment. The first requirement of Iranian administrators is loyalty; the higher one climbs up the bureaucratic ladder, the greater the salience of this factor. Consequently the higher levels of the bureaucracy have come to be stocked with technocrats and administrators who choose bureaucratic survival over accomplishment. Corruption is

endemic but is no worse than in other countries in the region. Bureaucratic inefficiency will delay some of the Shah's programs and to that extent will frustrate the expectations of both the Shah and the people. We do not expect significant improvements and the government will face increasing administrative challenges.

9. Political party activity in Iran has no autonomous life. The Iran Novin Party was designed to mobilize mass support and to provide a channel for limited feedback to those in power. It became instead a collection of competitive cliques directed by Prime Minister Hoveyda. Elections, parliamentary debate, and shifts of personnel were inconsequential to the actual course of developments. The existence of the loyal opposition, the Mardom Party, however, provided an appearance of political competition which permitted a number of Iranians to rationalize their participation in the Shah's system.

10. The replacement of this structure by a single party last March represents no change in the basic machinery of political decision-making. The creation of the Iranian National Resurgence Party shows that the Shah has lost interest in the facade of competitive politics. The new party, run by the old group of politicians headed by Hoveyda, appears to have little potential for mobilizing grassroots support for the regime. The Shah rejected the previous notion of a loyal opposition as a vehicle for expressing a variety of opinions and thereby has reduced the ability of the system to accommodate differing points of view.

11. If, as we believe likely, the new party fails to deal with dissent and to provide greater outlets for the demand for political participation, strains within Iranian society will increase. The Shah is unlikely to act on his declaration that all who do not join the new party should face jail or expulsion from the country. More likely, he will use party membership as just one of the many criteria for allowing participation in the system. He will continue to rely on SAVAK to manage and control political activity from behind the scenes. In so doing, the Shah is counting on the flexible and resilient nature of the Iranian social system which has traditionally allowed the ambitious to become influential as long as they played by the rules established by the ruler. But the operation of this system breeds widespread personal insecurity and cynicism which discourage voluntary cooperation and national commitment. As a result, some capable Iranians will increasingly be left on the sidelines, benefiting materially from the development process, but assuming no responsibility for the success of the Shah's program.

#### *Supporters and Challengers*

12. Only rough assessments are possible on the extent of support for the Shah. Opposition sentiments are taboo in public and expressed in private only with great discretion. The bulk of the population,

mostly peasants, has been traditionally apolitical; it generally has supported the monarchy as an institution, although not necessarily any specific monarch. The peasants have gained in absolute terms from the reforms, but there is no indication that their higher standard of living has been translated into support for the Shah.

13. The major source of strength for the Shah has been his military and security forces. The Shah takes particular care to keep his officer corps content, mostly through the provision of extensive perquisites such as salaries and housing. However, the increasingly high level of education required by the modernizing of the Iranian military forces may affect the political reliability of the officer corps. Present commanders, like their civilian counterparts, are selected primarily on the basis of loyalty to the regime. Those at the top of the military establishment today are not particularly competent. As better educated officers, who are more likely to have imbibed some of the intellectual dissent of their civilian peers, come into middle-grade positions, it will become more difficult for the top-ranking generals to maintain their present tight control.

14. The most wholehearted backers of the Shah are those few thousand who profit personally from close association with the Court; they would also suffer most if the system were eliminated. Besides the inner circle of the Shah's principal assistants, this group includes bureaucrats, cronies, hangers-on, and business and professional men whose importance arises from their access to the Court advisers.

15. A far larger group—administrators, middle-class professionals and probably even the bulk of the urban lower class—go along with the Shah not so much out of conviction but because they have profited from the system and do not see an alternative. Unenthusiastic about the Shah as a person, many perhaps even unenthusiastic about the monarchy as an institution, most of this group would probably switch loyalties easily as long as they perceived no threat to their personal interests. This lack of enthusiasm leads to considerable passivity, and the services of many upper-class, experienced administrators are denied either by their own choice or by what the Shah considers their political unreliability.

16. Prominent in the opposition are the religious leaders and through them the religious establishment. They have longstanding objections to reform-minded monarchs and a particular antipathy for the Pahlavi dynasty. Religion has been a major influence among the urban lower classes and the bazaar merchants. Even the intelligentsia, who in other circumstances would be scornful of the religious establishment, now apparently perceive the religious leaders as sharing common grievances against the present system.

17. Opposition to the Shah and his regime is entrenched among intellectuals. Writers, poets, and artists, who traditionally have played an important role in Iranian political life, are contributing to the emergence of a class of alienated intellectuals. Their demands for political participation and freedom of press and expression have no place in the White Revolution. The Shah's style of government forecloses relaxation of police repression and an end to corruption desired by this opposition. Educational excellence and administrative efficiency did fall within the Shah's program, but he has deplored the lack of effective action in these fields. Student unrest is endemic. There seems almost no chance that the Shah's regime, however successful in material terms, will be able to satisfy these elements. Their desire to share political power is more troublesome for the Shah than the nationalist demands of reformers of the Mossadeq era who have been satisfied merely to participate in the process of economic development.

18. Intellectual dissent has produced a climate in which acts of terrorism are increasing. Ideologically, the extremists range from anarchist-communist to the radical religious right, but they are principally interested in violence against the regime. This accounts for the seeming anomaly of terrorists financed by merchant money and espousing a combination of Islamic and Marxist principles. In the past two years, members of several small extremist organizations have been responsible for at least ten assassinations and a score of bombings. Their main aims appear to be to demonstrate the inability of the security forces to prevent their activities, to eliminate security officials who have been a danger to them, and to force the security forces into actions which would arouse widespread popular resentment. On occasion, terrorism will spill over and become directed against the US and US-sponsored activities.

19. Although individual acts of violence are likely to increase, they pose no immediate threat to the regime. The security forces have had considerable success in detecting and breaking up individual cells. The agreement with Iraq may have cut off some of the external support for extremist activities. But the growing sophistication of the extremists and their willingness to die for their cause make it almost impossible to stamp out the terrorist organizations. Moreover, they will not lack recruits as long as students and their allies among the intelligentsia remain opposed to the Shah. Indeed, the alienation of these elements is bound to grow, especially as the security forces take an increasingly hard line toward protests of any sort, even when the demands are nonpolitical.

20. As a master political strategist, the Shah will probably seek new ways to head off growing discontent. He may announce new welfare programs to bring tangible benefits to the masses. He may attempt fur-

ther political rearrangements to infuse greater vigor into the Iranian National Resurgence Party. But the main lines of his policy seem already laid down and will not accommodate major political changes. Hence, strains within Iranian society seem destined to grow as other sectors of life modernize and the pressure for political participation becomes more insistent. Nonetheless, we see little prospect during the next few years for a serious challenge to the Shah's total control over Iran's internal affairs.<sup>2</sup>

*A Contingency: The Shah's Demise*

21. The Shah's death by accident or natural causes would be less traumatic for the Iranian system than his assassination. There are probably enough persons with a stake in the established order to ensure continuation of the monarchy, at least in the short run. Although popular, Farah as Regent for Shah Reza would have difficulty in maintaining political stability because of the variety of politicians and military officers jockeying for dominance.

22. Support of the armed forces would be crucial for any succession arrangement. General Khatami, the Shah's brother-in-law and air force chief, would probably be a main prop for the succession, but his relationship with other military officers is not known. While over the years the Shah has exerted great care to weed out disloyal elements in the upper ranks of the military establishment, we do not know how the military commanders would act once he is off the scene. Among the politicians, Prime Minister Hoveyda would have a strong initial position. He has many enemies, however, and would have great difficulty in consolidating his power.

23. The violent removal of the Shah would immediately threaten the system. The Shah is paying increasing attention to his personal safety. While this makes him more isolated and remote, it heightens the chances that his security forces would detect and forestall an assassination which was part of a comprehensive plot to seize control of the government. On the other hand, the Shah's forces still could not be sure of

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<sup>2</sup> The Assistant Chief of Staff, Intelligence, Department of the Air Force, believes that this Estimate overstates the extent and significance of dissent in Iran and prejudices the Shah's capacity to effect successful reforms. Problems associated with the modernization program in Iran are not necessarily unequivocal danger signs for the regime. The country's economic boom continues to attract many Iranian students back from foreign universities and, while they have indeed absorbed the experience of living in non-monarchical societies, the promise of material reward has proven sufficient to deflect the great majority from political opposition. Nevertheless, the Shah remains cognizant of the need for diffusing political power and responsibility, but he believes that this process must be gradual and need not necessarily reflect Western standards or forms of government. Whether he can be successful in ensuring the smooth transition from a modernizing autocracy to a bourgeois-nationalist constitutional monarchy must therefore remain an open question. [Footnote in the original.]

preventing acts by an individual or a handful of plotters willing to sacrifice their lives. If assassins should succeed, the death of the Shah would profoundly shake government officials and the public in general. Under these conditions the senior generals might feel all the more impelled to band together to act swiftly to preserve the system to which they owe so much. But in time they would probably come under increasing pressure from more nationalistic and more radical elements in the middle and lower ranks. Thus the monarchy would face an uncertain future whatever the manner of the present Shah's passing.

## *II. Near-Term Economic Objectives and Outlook*

24. The Shah is embarked on an ambitious restructuring of the Iranian economy over the next decade or so. He is determined to carry out rapid industrialization, capable of supporting a large-scale civilian sector as well as producing late-model weapons systems. Although industrial development is his primary goal, he is willing and able to allocate resources to other sectors which support economic modernization. He recognizes Iran's strong reliance on oil and plans more efficient use of this finite source of wealth. Over the longer term, however, he believes Iran must look to its other resources and, in particular, must transform its poorly educated masses into a nation of skilled laborers and technicians to build a strong industrial base. In the same vein, he proposes to shift the country's energy sources from oil and natural gas to nuclear power. This ambitious program is to be accomplished by injecting massive doses of oil-generated revenues into key sectors with the hope that they will trickle down to provide economic incentive and advancement even for those at the bottom of the social order.

25. The Shah is building on an already fast-growing economic base. Since the mid-1960s, Iran's GNP has grown annually at a real rate averaging 12 percent to about \$40 billion in 1974. The rapid expansion of Iran's oil industry and the application of oil earnings to development have been the dynamic forces behind the rapid growth. Foreign lending which earlier enabled Iran to finance its deficit spending on development and defense was attracted by Iran's oil potential. In some cases, repayments were linked directly to oil or associated natural gas output.

26. In 1974, as a result of the dramatic price rises, Iran's oil revenues quadrupled to about \$20 billion, or roughly half of GNP. The unexpected surge of some \$15 billion was far too great for Iran to devote immediately to economic growth. Of this amount, about one-fourth went for expanded imports, while less than another fourth went for increased domestic development expenditures. The remainder was disbursed in other areas, including loans, and to expand Iran's official reserves which at the end of 1974 were over \$8 billion.

27. The Shah's program for rapid development is creating strains within the economy. By far the greatest problem is a shortage of skilled and semi-skilled workers. The shortage is presently about 700,000 and rising. Introduction of foreign labor, largely from East Asia, can fill only a small part of the gap. Large numbers would greatly add to housing and food supply problems. The 20,000 or so that have arrived are causing resentment among Iranians.

28. There are a number of other problems as well. Port and rail-head congestion, resulting from the heavy influx of imports in recent periods, and an inadequate internal transportation network will remain bottlenecks at least in the short term. With production and imports lagging behind the surge in demand, shortages are prevalent, causing significant economic and political problems. There was an inflation rate of about 25 percent in 1974—a serious problem in a country accustomed to nearly stable prices. Iran also is faced with the problem of rising expectations: those who come to the cities from rural areas are unemployed or are relegated to the lower jobs and incomes and cannot find housing or other accouterments of the "good life" they see around them. There is little hope that the new oil wealth will trickle down far enough or fast enough to prevent growing socio-economic disparities.

29. Agricultural production in recent years has barely kept up with population growth and has fallen increasingly behind the growth in demand. Once a net agricultural exporter, Iran has become increasingly reliant on imports of foodstuffs. In face of a particularly poor harvest last year due to inadequate rainfall, imports grew at least sixfold. Irrigation and other measures to relieve the heavy dependence on erratic rainfall are belatedly being emphasized but have little impact in the short run. More promising in the short term are the efforts to expand rural credit and services. These will not meet Iran's needs, however, and the Shah has indicated that Iran expects to import \$10 billion in agricultural products from the US alone in the next five years.

### *Outlook*

30. Given the problems now confronting the economy, we foresee a slowdown in the rapid pace of industrial expansion and a somewhat lower rate of growth of real GNP over at least the next few years. Many of the projects on the drawing board probably will be deferred or implemented at a slower pace. Military expansion, however, will be largely unaffected by the economic slowdown; the Shah plans purchases abroad averaging about \$5 billion annually over the next five years.

31. Oil will continue to finance Iran's development. Earnings, dependent on production rates and price, are not expected to rise appreciably over the next five years. Iran's oil output is currently about 10

percent below last year's 6 million barrels per day. Although small increases are possible during 1976–77, the longer term outlook is for lower production. Accordingly, oil prices take on increasing importance in the Shah's future revenue plans. He will continue to work for higher oil prices, both making bilateral deals and acting through his leading position in the Organization of Petroleum Exporting Countries (OPEC). He probably will push simultaneously for production limitations to eliminate oversupply and for some form of commodity indexing to protect the value of oil against rising import prices. His allegiance to these policies will find him at odds with the interests of the US and other industrial consuming nations.

32. The Shah's focus on industrial development will include expanded use of oil and natural gas for manufacturing. He is seeking foreign assistance to build oil refineries and petrochemical plants and to market their products abroad. He also is trying to build up markets for Iranian manufactures, partly by tying credits extended to Romania, Egypt and other LDCs to future purchases of Iranian machinery, buses, and consumer goods. Although they should increase rapidly, these non-oil exports cannot replace oil revenues in the foreseeable future. At best they will grow from about \$1 billion to \$4 billion in 1980—less than one-fifth of current oil income.

33. Iran's foreign earnings should continue to provide large surpluses for a few years, but thereafter, if oil revenues do not rise significantly, there will be current account deficits. Aware of this prospect, the Shah is adopting restrained lending policies. Increasingly he is attracted to investments which will return badly-needed technology, equipment, and commodities in the coming years. Equities such as those in West Germany's Krupp steelworks are in keeping with this judicious use of current surpluses. This year he acquired a 25 percent share in a West German machinery and construction firm and a 10 percent share in a uranium enrichment plant to be built in France. Loans to the IMF and IBRD further his desire to promote Iran's image and at the same time obtain a respectable return on investment.

#### *Implications for the US*

34. The economic and military development under way in Iran provides opportunities for significant economic gains to the US. The US already has the largest investment in and sales to Iran and has favorable opportunities to expand both over the next several years. By 1980 the US investment in Iran could triple to at least \$2 billion. Returns on this investment, as well as repatriation of earnings from the 50,000 US citizens likely to be in Iran by 1980, would be appreciable. Non-oil trade with Iran over the next five years should easily exceed the \$15 billion



total mentioned in the earlier Kissinger/Ansari communiqué<sup>3</sup> and now appears likely to reach some \$25 billion. It would be balanced strongly in favor of the US.

35. Iran's investment and development strategy will also pose problems for the US. Iran is apparently determined to engage in some development whose viability would depend on preferential access to the foreign markets the Shah has been seeking. Iranian exports to third countries under such conditions might affect competing US exports in the late 1970s or early 1980s; increased Iranian production for domestic consumption will certainly affect certain US exports to Iran itself in the longer run. The Shah's strong interest in US Government participation or involvement in his commercial relations may raise problems for the US. The Shah sees the US Government as a guarantor for the performance of the US private sector and could hold Washington responsible should US industry not meet his expectations.

36. We see, however, little threat to US markets from Iranian export industries in the near term. Iranian exports of non-oil goods will probably not be competitive with US products and will be confined mainly to regional markets in which the US does little business. Military production in Iran will continue to require US and other Western technology and, given the lag in introducing new weapons, will not compete directly with the high value sales of sophisticated US military equipment.

37. Iranian equities in US firms are unlikely to be important from the standpoint of earnings outflow or leverage within any sector of US industry, but may pose problems from the standpoint of industrial firms. Moreover, such equity investment would impose a need on Iran to act responsibly toward the US. Increased Iranian investment in the US would tend to offset risks to US investment in Iran.

38. US sales and proposals will meet increasingly stiff competition from other nations, abetted by an Iranian bureaucracy which is adept at comparison shopping. Furthermore, concern over reliability of supply and fear of being too dependent on any one source will lead the Iranians to disperse projects and purchases widely among the industrial states.

### *III. Military Developments*

39. Central to the Shah's ambitious plans for Iran's future is the expansion and modernization of the military establishment. Believing that Iran's aspirations as a world power must be based on regional military strength, the Shah is developing a military force stronger than that

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<sup>3</sup> See footnote 2, Document 108.

of any—and all—his neighbors except the USSR. He wants the capability to project military power anywhere in the Gulf area. He particularly desires supremacy over Iraq, which is receiving a continuing inflow of modern arms from the USSR. And he judges that merely a slight edge over all the states in the region is not enough to deter actions hostile to Iran. Finally, he is insistent on acquiring a blue water navy to extend Iranian influence in the Indian Ocean.

40. Iran has been trying to meet these goals since 1968. Military manpower has already increased from about 200,000 to nearly 350,000. The ground forces have been reorganized and reequipped to include three infantry and three armored divisions with over 1,200 late-model tanks. The air force has acquired over 100 F-4s and several ICC-707 aerial tankers. The navy has obtained a large hovercraft fleet and four of the latest model destroyer escorts. The military establishment also includes over 70,000 gendarmes charged with keeping order in the countryside.

41. These forces can do much of what the Shah considers necessary. They are already more than capable of maintaining internal security and of defending Iran's territory against any hostile neighbor but the USSR. Indeed, they have a clear edge in military capabilities over all states in the region and could seize and hold any of the smaller ones on the Arab littoral of the Gulf. But aware of the problems encountered by his expeditionary forces in Oman, the Shah recognizes that in practice their performance leaves something to be desired.

42. The Shah hopes by acquiring additional quantities of the latest-model weaponry to overcome present deficiencies and keep far ahead of Iraq's continuing military modernization. He plans to expand his armed forces by another 50,000 men to nearly 400,000 by 1978. Much of this growth is in conventional ground forces, where the scheduled acquisition of over 400 additional helicopters designated for trooplift and attack roles will give the Shah a major offensive capability. He will bolster Iranian naval power by purchasing the most modern destroyers, additional hovercraft, submarines, and anti-submarine aircraft; he appears to be preparing eventually to add some type of aircraft carrier to the fleet. By 1980 the Iranian air force should have nearly 24 fighter-bomber squadrons of over 400 late-model aircraft, including 80 F-14s with associated Phoenix missiles.

43. The new weapons for this force will cost at least \$25 billion over the next five years. One of the considerations motivating the rapid buildup is the Shah's desire to avoid future price rises by purchases at today's lower cost. Thanks to the current high oil prices, Iran has the funds to purchase the military equipment the Shah desires and to set up the factories necessary for the military industry he now envisages.

44. To reduce Iran's total dependence on foreign suppliers for the sophisticated weapons systems he desires, the Shah wants to coproduce late-model weaponry in Iran under license, mostly in conjunction with US firms. Coproduction will not significantly lower the cost of these weapons, and is likely to increase it somewhat. The Shah, however, believes it will give Iran a more dependable source of supply. Much of this gain is illusory, however; components for the more sophisticated items will still have to be imported, though it may be easier to purchase parts on the world market than to procure the entire weapons systems.

45. Iran has the financial resources to carry out its ambitious military modernization program without cutting severely into development projects. Nevertheless, the expansion and upgrading of the armed forces, by increasing the pressure on the limited pool of skilled manpower, may inhibit growth in the developmental sector. The competition for manpower poses a difficult problem of priorities for the Shah, who is deeply committed to both economic development and military modernization.

46. Deliveries of sophisticated military equipment will increase Iran's dependence on foreign technicians. Even if foreign technicians reach currently projected levels—perhaps as many as 15,000 by 1980—lack of trained manpower will seriously impair operational effectiveness of the armed forces over the next several years. Indeed, it will be a long time before the Iranians can use on their own the complex weapons systems they have begun to acquire.

47. The largest group of these foreign technicians will be Americans, who already number about 4,000. The US is committed to supplying and, in some cases, coproducing advanced weapons systems; it is also committed to training Iranians in their use. By 1978 foreign personnel will make up a significant proportion of all Iranian support and maintenance personnel. Moreover, the US will be deeply involved in building a blue water navy, maintaining and supporting tactical and support aircraft systems, and establishing communications systems.

48. The Shah's preoccupation with keeping ahead of regional rivals raises the question of his intent to develop nuclear weapons. Iran is a party to the nuclear non-proliferation treaty and has also proposed a UN resolution calling for the establishment of a nuclear weapons free zone in the Middle East. But India's nuclear testing program is probably giving the Shah second thoughts about Iran's renunciation of nuclear weapons. Moreover, his proposed nuclear power program would give him some of the essential elements needed to develop the weapons. The facilities needed for the domestic production of fissionable material, however, would require extensive foreign assistance. The time required to build and operate these facilities would depend on the

priority given and the amount of foreign assistance provided. In any event, it would take at least a decade to overcome these basic deficiencies.

49. The Shah would like to move toward a position where he could eventually produce nuclear weapons on short notice if he believed it necessary. Nevertheless, in view of the difficulties in developing the facilities needed to produce such weapons, he does not seem likely to decide to launch a nuclear weapons program in the near future. We can expect, therefore, that Iran over the next decade will make a major effort to acquire facilities and develop the know-how and technology to manufacture nuclear weapons, but without taking a firm decision to undertake actual production. The Shah would hope that by avoiding a definite program to produce nuclear weapons he would forestall problems with the US over his nuclear intentions.

#### *IV. Iran's Foreign Relations*

##### *The Shah's Perspectives*

50. Basing his foreign policy on a historical perspective, the Shah is acutely conscious of the contrast between past Persian glory and present Iranian reality. He sees Iran confronted by an untrustworthy Soviet Union, while he sees the remote bastions of Western power in a state of disarray and decay. Although he would count on US support in a confrontation with the USSR, he has taken out insurance in the form of economic and political ties with the Soviet Union and does not feel himself directly threatened from that quarter. Massive oil revenues give him confidence that he will be able to secure whatever military and industrial equipment he considers necessary. Against this backdrop, the Shah will seek:

- domination of the Persian Gulf;
- a preeminent role in OPEC;
- the extension of Iranian air and naval power into the Indian Ocean;
- expansion of Iranian influence in the Middle East, Europe, Asia, and Africa.

51. He would accept confrontation with the Arabs, the US, or even the Soviet Union if necessary to assert Persian primacy in the Gulf or to maintain what he considers a sufficiently high level of oil revenues; in other matters and areas he is likely to be more cautious. The Shah's past behavior has reflected a relatively realistic appreciation of Iran's capabilities and of the interplay between regional and international power. But as he grows older and more convinced of the soundness of his own judgment and as Iran's military strength increases, he is likely to take greater risks to achieve his ambitions.

*The Persian Gulf and the Arabian Peninsula*

52. The Shah sees the Persian Gulf as studded with inept backward regimes susceptible to radical subversion. To deal with this danger, he is proposing a regional collective security arrangement. While the Shah hopes that Saudi or other Arab elements will prevent or suppress radical movements on the Arabian Peninsula, he will be prepared swiftly to deploy Iranian forces across the Gulf to forestall a radical upset. He would prefer to act in concert with the conservative Arab states, or at least on invitation of a beleaguered regime—as in Oman—but would not wait for Arab agreement if he considered Iran's interests at stake. The Shah recognizes Arab suspicions and anti-Persian sentiment and will seek where possible to avoid an unnecessary confrontation. However, with the 1971 seizure of the Tunbs and Abu Musa Islands as a background, Iran is likely to take further unilateral action in the Gulf if it perceives a protential threat to its regional hegemony.

53. Iran will probably have more possibilities for cooperation with Saudi Arabia now that Faysal is off the scene. Prince Fahd, who appears to be the real power in the Saudi monarchy, is likely to be less rigid and more open in dealing with Iran than Faysal was. On the other hand, even the present climate of good feeling cannot completely allay the traditional mistrust of these historic rivals in the Gulf. Hence, coordination between Iran and Saudi Arabia will be difficult, and actions will often be complementary rather than taken in concert. The potential for conflict of interest will remain high. On balance, however, we believe that both states will be alert to this danger and we do not foresee insuperable differences arising during the next few years.

*Iraq*

54. With the Algiers accord of March 6, Iraqi-Iranian relations moved from the brink of hostilities toward a semblance of coexistence.<sup>4</sup> The accord eliminates the Kurdish problem and the disputed Shatt al-Arab river border as immediate sources of conflict. The Kurdish drive for autonomy in Iraq appears to have been effectively crushed and, following its abrupt abandonment of the effort, Iran probably could not revive Kurdish opposition for some time.

55. There are, however, traditional antagonisms and long-standing basic differences that cannot be swept aside overnight. Iran sees Iraq as a potential threat, especially by virtue of its Soviet-equipped armed forces and the Soviet military presence there. Baghdad, for its part, fears Iranian hegemony in the Gulf backed by massive arms purchases

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<sup>4</sup> In the Algiers Accord signed on March 6 at the OPEC Summit in Algiers, Iran and Iraq agreed to settle their border disputes. See Document 273.

from the US. Moreover, the Iraqi Baathist regime and the Iranian monarchy remain the antitheses of each other. Yet recent Iraqi moves raise the possibility of a fundamental revision of Iraq's approach to the Gulf. Relations between Iran and Iraq, therefore, may be less volatile than in recent years and there appears some prospect of gradual improvement and more stability in this relationship.

*The Middle East*

56. Events since the 1973 Arab-Israeli war diminished Iran's traditional aloofness toward the Arabs and weakened covert cooperation with Israel. While Iran's new Arab posture extends to Syria and Algeria, it centers on Egypt and seems to provide for a certain amount of cooperation between Cairo, Jidda, and Tehran. The major considerations for Iran's shift appear to have been Sadat's moderation, his growing leadership of the Arab cause and his ability to negotiate directly with the US. Iran's opening toward Egypt also facilitates cooperation with Saudi Arabia. These trends seem likely to continue.

57. While the Shah continues to welcome Israel as a strong pro-Western and anti-Communist balance to Arab nationalism in the Middle East, he sees Israel as a diminishing asset. He recognizes that a continuing Arab-Israeli impasse encourages the growth and unity of Arab radicalism. He has also noted the lessons of the 1973 war—the difficulty of US access to Israel, the retreat of European support, and the growing risk of a US-Soviet confrontation because of Arab-Israeli hostilities. Iran is not likely to turn against Israel and will probably continue oil shipments and covert intelligence exchanges. In the event of resumed hostilities, however, we cannot be confident that Iran would continue to supply Israel with oil.

*The Indian Ocean*

58. The Shah wants Iran to be a leading—if not the dominant—power in the Indian Ocean. Seeing India as a major potential rival in this region, he has recently stepped up efforts to improve relations with India in order to reduce the likelihood of friction. Iran is seeking raw materials from India and will probably supply a major portion of India's fuel requirements at manageable prices at least for the next few years. The Shah has also begun cultivating conservative, pro-Western governments such as Australia, New Zealand, Indonesia, Singapore, and South Africa, but in low key to avoid irritating the nonaligned states. Over the longer term, the Shah will work for the elimination of both Soviet and US military presence in the Indian Ocean. While he will tacitly approve a US naval presence as long as the Soviets keep naval vessels on station there, we cannot depend on him to provide access to Iranian facilities to support fleet units.

*CENTO*

59. The Shah regards his CENTO alliance with Turkey and Pakistan as a useful adjunct to his regional policy. He is concerned about the possibility that Pakistan and Afghanistan might come to blows over their volatile tribal populations, a conflict he fears would spill over into Iran's tribes as well. He is also mistrustful of the course of Indian relations with Pakistan. Despite his concern, the Shah is likely to weigh carefully and limit his financial backing for Pakistani arms purchases. While he might provide Bhutto some equipment if Pakistan were threatened by its neighbors, Iran would probably not become involved in hostilities in support of Islamabad except perhaps in the event of unprovoked Indian attack. As for Turkey, the Shah's sympathies for its efforts to circumvent the US arms embargo are strong, and he might permit some "leakage" of spares to Ankara, but would be circumspect in order to avoid risking relations with the US.

*The USSR*

60. The Shah has no doubt that Iran's natural and most vital interest is with the West, but he regards normal, if cautious relations with the USSR as necessary to permit freedom of action in pursuing his goals. By expanding trade with the USSR and by regular high-level political exchange, he believes he has provided strong incentives for Soviet cooperation and has thus reduced the Soviet threat to manageable proportions for the foreseeable future. Indeed, the Shah is now confident of his position. He has already forced the Soviets to accept large increases in the price of gas and introduced surface-to-air missiles into areas of Iraq over which Soviet-piloted aircraft were operating. In short, he still considers the US as an ultimate deterrent to the Soviets but he no longer feels that a US military presence is currently necessary in the region to protect Iran and he believes that he can deal effectively with the Soviet Union on his own. Moscow, for its part, is unlikely to take action in the Gulf area which would risk its good relations with Iran, and probably sees little alternative but to tolerate the Shah's increasing assertiveness.

*China*

61. Relations with China have been relatively inactive since Iran's recognition of Peking in 1971. Both countries share a strong interest in blocking the spread of Soviet influence in the Middle East and South Asia. China has endorsed Iran's military buildup and, apparently at the Shah's behest, terminated its support for the Dhofar rebellion. For its part, Iran sees China as useful to balance its relations with the Soviet Union and the US. While we do not envisage a rapid strengthening of Sino-Iranian relations over the near term, we would expect a growing

mutuality of interests and a continuation of exchanges of high-level visits including, perhaps, a trip to Peking by the Shah.

#### *Relations with the US*

62. The Shah is ambivalent in his view of the US. On the one hand, he believes US interests in Iran are sufficiently great that he can rely on US support in a confrontation with the Soviet Union. Moreover, he counts on the essential compatability of basic US and Iranian interests and regards the US as the only practical source of late-model weapons and industrial goods he believes necessary to turn Iran into a world power. On the other hand, he is concerned that the US may not be able to resolve its own foreign and domestic problems. He wants to be as independent of the US as possible and would like to see the US role (as well as that of the USSR) in the Gulf reduced or eliminated. Indeed, he even is going so far as to inspire increasing press criticism of US foreign policy, at least in part to drain lower and middle class opposition away from himself by portraying himself as a progressive nationalist fighting American economic imperialism.

63. The Shah's primary strategy to assure continuing military supply involves seeking to deepen ties with the US. He hopes by offering lucrative and tempting economic deals to make certain that Washington would find it inexpedient to turn down his future requests. He is also actively wooing American educational institutions, at least partly in order to improve Iran's image in the US, and is participating in a series of joint commissions to concert efforts to develop Iran in economics, social welfare, and culture. He has long provided important intelligence facilities for use against the USSR. He would probably cooperate in facilitating US political initiatives in Middle Eastern diplomacy. In taking such decisions, he will pursue what he considers Iran's basic interests and we cannot rely on him to accommodate the US in the increasing number of areas where his interests are expected to diverge from ours.

#### *Problem Areas*

64. Expanding and deepening relations with an increasingly unpredictable and assertive Shah will create vexing problems for the US. In the first place, he is likely to be a very tough bargainer in pressing to meet what he considers his vital military and security requirements. He believes Iran's oil money, its relative pre-eminence in the region, the stability of his regime, and—not least—the soundness of his own judgment give him high cards to play with the US. While in the final analysis he would avoid a showdown that would damage his ties with Washington, he generally has little fear of pressing his case too far. As a tactic to extract firmer American guarantees of performance, he will question US reliability as a supplier, citing the experience in Pakistan,



Indochina, and Turkey. He also may from time to time raise the possibility of turning to Europe as an alternative to the US, though he probably does not regard this as a practical option for large-scale procurement, especially of weapons systems.

65. Rapid growth in the numbers of American personnel to service the multiplicity of projects which this expanding relationship entails also carries potential for trouble. At the very least, it raises the prospect of a multitude of problems in cultural adjustment and intercommunal relations. With nearly 50,000 American civilians (including dependents) assisting in the Shah's program by 1978, the chances of friction in the relationship would undoubtedly grow. More serious would be the risk of involving US personnel in roles supporting Iranian military action in the event of regional conflict. The accord with Iraq diminishes the prospect of hostilities over the next few years. But the inability of Iranians to operate all the late-model equipment Iran will acquire in this period poses a continuing concern.

66. Oil policy forms an area where collisions between the Shah and the US are all but inevitable. The Shah has already proved quite adamant in refusing to cooperate to secure oil price reductions. His interest in receiving the maximum return for oil is so intense that he is likely to continue to take the lead in urging continual increases in oil prices in order to maintain at least the present relative advantage of Iranian purchasing power. Though he will seek to keep the image of reasonableness and moderation as a bargainer in petroleum matters, the Shah will thus be likely to run afoul of US interests in oil questions as he seeks to maximize his income.

67. The Shah's regional policies also carry risk of conflicting with US interests. This is particularly true of the Gulf, where the specter of Iranian military power increasingly will alarm Iran's neighbors. Thus far, the Shah has been relatively judicious in his actions. He has been particularly aware of Arab sensitivities in providing troops to assist the Sultan of Oman, and we would expect him to continue to act with restraint. But the Shah has little respect for the capability of the leaders of neighboring Arab states. As he boosts his Gulf forces and finishes construction of naval facilities over the next few years, the opportunities for falling into more overt rivalry with Saudi Arabia will grow.

68. Even the Shah's desires for economic development raise issues that will be troublesome to resolve. For example, his ambition to purchase from the US a large-scale net of nuclear generating plants to supply Iran's future power requirements poses potential problems. For reasons of national pride and to keep his options open, the Shah is reluctant to agree to US demands for safeguards for these reactors more stringent than those imposed by IAEA; this reluctance is unlikely to abate. As in other matters, he will seek to hold the Executive Branch re-

sponsible for bringing the Congress along behind this deal with Iran. In this situation his nuclear program may become a continuing thorn in US-Iranian relations as he presses hard to get these plants on his own terms.

69. Underlying these problems is the dependency of the close US-Iranian relationship on the attitudes and perceptions of one man—the Shah. This offers the possibility of an erratic course for personal reasons. More important, it raises questions about US-Iranian relations if he should leave the scene. There is some reason to believe that over the past two decades much of the relationship has become institutionalized to the point where it transcends the Shah. Whether or not the Shah's succession arrangements succeed, power will rest at least initially on a coalition of key military officers and establishment bureaucrats. But this coalition would be likely to come under increasing pressure from diverse elements in society, however, and we cannot now foresee the nature of the regime which will ultimately succeed the Shah. If a more extreme nationalist regime took charge, it might loosen present close political ties to the West, but probably would not immediately seek to restructure the present relationship in dramatic ways, given the Iranians' view of their interests and the importance of the US connection.

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**122. Memorandum From the Under Secretary of State for Economic Affairs (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, May 13, 1975.

**SUBJECT**

Iran Bilateral Oil Deal

In accordance with your instructions I have continued to explore the Shah's proposal for a bilateral arrangement under which we would purchase up to 500,000 barrels of Iranian oil per day, under a pricing formula keyed to the price of U.S. products to be acquired by Iran.<sup>2</sup> For this program the Shah has established two basic criteria which in my judgment we cannot meet.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 1 April–30 May, 1975. Secret; Nodis.

<sup>2</sup> Robinson's earlier discussion of this plan with Ansary was reported in telegram Tosec 834/63511 to Kissinger in Aswan, March 20. (Ibid., 4 January–23 March, 1975)

—Secrecy to avoid adverse reaction from other OPEC members.

—Fixed prices for both oil and purchased U.S. products (possibly with indexation).

However, to evidence sincerity in exploring this concept in a constructive way, I suggested to Minister Ansary during my recent visit to Tehran<sup>3</sup> the proposal outlined below:

—The U.S. would arrange for procurement by private sector importers of up to 500,000 barrels per day under a multi-year contract.

—The price would be the official OPEC price which conceivably could be fixed with indexation as proposed by the Shah.

—The U.S. oil importer would pay cash into the U.S. Treasury on receipt of the oil and the Treasury would issue to Iran five-year Treasury notes of an equivalent amount which could be applied against Iranian purchases of U.S. goods after an agreed period of delay. (Each 12 months of delay would represent a price reduction of over \$1.00 per barrel.)

—The notes would provide a yield commencing on the date from which the notes could be applied against U.S. purchases in the form of interest, or as an adjustment equivalent to changes in the U.S. wholesale price index, or some combination of the two.

I made it very clear that any such arrangement would require approval by other agencies of the U.S. Government and the Congress. I pointed out, however, that we did not want to seek such approvals unless we knew that there was a mutually acceptable basis for such a plan.

Ansary indicated that he found the plan interesting but pointed out that the period of delay before the notes could be applied for U.S. purchases would have to be dealt with in a separate side letter to assure secrecy of the hidden discount. Secondly, he indicated a preference for a yield on the Treasury notes to reflect changes in the U.S. wholesale price index rather than in the form of interest. He did express appreciation, however, for the proposal and indicated that he would present it to the Shah for his reaction.

Subsequently, Ansary advised that the Shah's reaction was "that our proposal was not exactly what the GOI had envisaged."

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<sup>3</sup> According to telegram 4178 from Tehran, May 5, Robinson had fruitful discussions with Ansary on a range of topics: U.S.-Iranian-Saudi plans to assist Egypt financially, the oil consumer-producer dialogue, a U.S.-Iranian oil transaction, combined efforts to help developing nations, and the Joint Commission. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE—NODIS (2)) Helms sent Kissinger a follow-up on these talks in telegram 4339 from Tehran, May 9. (Ibid.)

—He was concerned with the suggestion that the proposal be restricted to sales to the private sector and he countered with the idea that the plan should be limited to military purchases. (Apparently, he feels that this would make possible an oil vs. equipment barter which would not be possible without a major change in our present system.)

—He did not object to price indexing based on the U.S. wholesale price index but indicated that it should apply to both the price of Iranian oil and U.S. commodity sales. (It was still the Shah's hope that fixed prices could be established on both sides.)

—The Shah was agreeable to our suggested purchase of 500,000 barrels per day.

In summary, I feel that it is unlikely that we can conclude any agreement within the limitation of existing U.S. oil import/commodity sales policies which would meet the Shah's requirements for what is essentially a government-to-government barter arrangement. Accordingly, I suggest that we not push further on this idea but be willing to listen to any alternative suggestions which the Shah may present during his forthcoming visit. In my judgment we have evidenced sufficient "good faith" in exploring this idea, but we should now recognize the unlikelihood of concluding such an arrangement and, therefore, we should allow for a winding down of this effort in a way which would avoid any negative political repercussions.

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### 123. Telegram From the Embassy in Iran to the Department of State and the Embassy in Bahrain<sup>1</sup>

Tehran, May 14, 1975, 1109Z.

4508. Subj: Shah's Statement on Foreign Forces in Gulf. Ref: Manama 0545.<sup>2</sup>

*Summary:* Although GOI rhetoric may be evolving to more neutral or independent posture as Iran and Arab states move to improved and more active relationships, we do not believe there will be any real change in Iran's desire for close ties with U.S. and USN in Gulf. Never-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750170-0050. Confidential. Repeated to London, Jidda, Kuwait, SecDef, CNO, JCS, CINCUSNAVEUR, COMIDEASTFOR, and USCINCEUR.

<sup>2</sup> In telegram 545 from Manama, May 8, Ambassador Twinam requested comment on the Shah's reported criticism of the U.S. naval presence in Bahrain. (Ibid., D750162-0190)

theless, we believe USG should recognize changing Iranian public stance and give careful consideration to proposed naval activities or use of Iranian facilities which might appear to conflict with that stance. *End summary.*

1. As reported in Wireless File of May 5, Shah told London *Observer* that he wanted “any permanent American military presence removed from the Persian Gulf area, including the American naval base in Bahrain.” At same time, Shah said, “he expects Iraq to agree to a similar exclusion of Soviet bases in the Gulf.” This is a more explicit description of GOI position on Gulf security than has normally been presented—i.e., that Iran believed security should be in hands of littoral states and that these states should not depend on super power support.<sup>3</sup> Iranians regularly add that as long as littoral states are unable to assure own security it is inevitable that they will have to look to outsiders and as long as one super power (USSR) is present in Gulf or Indian Ocean, GOI wants other (U.S.) to remain in order to keep a strategic balance. New element in *Observer* article is specific mention of removal of American presence at Bahrain. As noted above Shah hedged this position by saying Iraq would have to agree to exclusion of Soviet bases in Gulf. Story has not been played by local press, suggesting either that paper’s quotation of Shah is not sanctioned as GOI policy position or that GOI does not want to highlight the issue on the eve of Shah’s visit to Washington. It is, of course, possible that reporter misquoted or misinterpreted the Shah.

2. Whatever the explanation for the statement, in wake of Iran–Iraq Accord and mutual Iranian-Arab efforts to strengthen ties, we believe we may anticipate some similar movement in Iranian rhetoric towards Arab viewpoints and vice versa. We understand that both sides are not allowing nomenclature for Gulf to stand in way of expressions of cooperation—while neither, however, is yielding its respective position on Persian or Arab designation. Although GOI will be cautious in its evolving relations with Iraqis and other Arabs, it is possible that GOI may find itself engaged in Gulf summitry or negotiations for non-aggression pacts or other such diplomatic business. Certainly the flow of Arab visitors to Tehran shows no sign of abating and GOI seems to find process useful, not the least for internatl political reasons.

3. We do not believe these changes in Iranian rhetoric or diplomatic manifestations will bring any basic change over the near term in substance of Iranian position on realities in Gulf, particularly GOI’s perceived value of U.S. Navy in this region. Iran is committed to devel-

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<sup>3</sup> For the Shah’s earlier views of the U.S. naval presence in the Gulf, see *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 104, 159, and 160.

opment of a blue water navy and is depending heavily on USN for assistance in that endeavor. Shah has remarked on several occasions that he personally appreciates the ready and effective cooperation of the USN. We doubt that he would take inconsistent and unfriendly step of actively pushing for COMIDEASTFOR to leave Bahrain and the Gulf, but he is trying to carry water on both shoulders. Therefore, Shah might be reluctant now to send emissary to Bahrain to support presence of COMIDEASTFOR as he did last year or to otherwise oppose its departure if demanded by other major littoral states.

4. In these changing circumstances, we believe that we should be sensitive to Shah's public position on Gulf security, and give very careful consideration to the frequency, duration and public exposure of ship visits and joint exercises. Also, P-3 operations at Bandar Abbas should be examined for their continuing utility and appropriateness. This more complicated matter will be subject of a forthcoming message.

Miklos

## 124. Memorandum of Conversation<sup>1</sup>

Washington, May 15, 1975, 9:45 a.m.

### PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Special Assistant to the President for National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

Kissinger: The Shah is a tough, unemotional, and able guy. He has a geopolitical view.

President: Would he be interested in an analysis of the [*Mayaguez*] operation?

Kissinger: Good. Tell him you used more force than necessary.<sup>2</sup>

<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 11. Secret; Nodis. The meeting was held in the Oval Office.

<sup>2</sup> Brackets in the original. The U.S. ship S.S. *Mayaguez* was seized by Khmer Rouge naval forces on May 12 and taken to Koh Tang island. Ford ordered a rescue mission on May 15, which landed Marines on the island. Although the Cambodians released the crew near mid-day, the operation continued until evening in order to withdraw the Marines, resulting in significant U.S. and Cambodian casualties. Documentation on the operation is in *Foreign Relations*, 1969–1976, volume X, Vietnam, January 1973–July 1975.

Iran has now raised its trade figures from \$15 billion to \$26 billion over five years.

On the oil deal, he will do it if we can do it secretly. We haven't figured how to do that. One way would be to pay in non-interest-bearing notes, if we could do it secretly. He would prefer a swap of military equipment for oil, with high prices for the equipment. But we haven't figured that out.

I would go over the energy thing. He will slap you down, but it would be good.

Ask him about the Middle East. He is worried about Saudi Arabia. We told him we would support a paratroop operation in Saudi Arabia in a crisis. You could say you are aware of this contingency planning.<sup>3</sup>

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<sup>3</sup> In a briefing memorandum to Ford, May 15, Kissinger advised, "it will be important to impress upon the Shah not only that we remain strong but that we will continue to look to our defenses and continue our efforts to build a viable structure of peaceful relationships in the world." (Ford Library, National Security Adviser, Presidential Briefing Material for VIP Visits, Box 9, May 16, 1975, Iran (12))

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## 125. Memorandum of Conversation<sup>1</sup>

Washington, May 15, 1975, 11 a.m.

### PARTICIPANTS

President Ford  
Mohammed Reza Pahlavi, Shahanshah of Iran  
Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs  
Lt. General Brent Scowcroft, Deputy Assistant to the President for National  
Security Affairs

[There was a photo session. The President and the Shah discussed the *Mayaguez* incident.]

President: We sent a sharp note but I didn't get an answer.

[Secretary Kissinger arrived.]

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 11. Secret; Nodis. The meeting was held in the Oval Office. All brackets are in the original. The Shah made an official State visit to the United States May 15–18.

Kissinger: We sent it through the PRC who kept it 24 hours and returned it, but they returned it without saying that if we did anything it would be upsetting.

President: Yesterday I decided we should take the ship and the Island. We had the *Coral Sea* coming and one destroyer escort.

About 11:30 we got word that a boat was approaching. It turned out to be the crew.

At 8:15 they said they were releasing the ship. We were on the way in and continued the operations. We put a message through their frequencies and over the AP that we would stop when the crew was released.

Shah: I was pleased with the reaction, because otherwise people would have made false calculations.

President: We perhaps overreacted, to show the Koreans and others our resolve.

Shah: Why did they do it? Was it the government or a local commander?

President: They had seized some other ships but hadn't kept them. Perhaps it was to show their sovereignty over the island.

Shah: Did you get any reactions from Hanoi or South Vietnam?

Kissinger: Not a word. The PRC [Vice Premier Teng in Paris] had said "If they use force there was nothing we could do about it."

Shah: Of course. I think the PRC is playing a cautious role here. I think they want to get closer and closer to the U.S. for their own interests.

President: The statement that Henry mentioned certainly appeared as a green light.

The response in the U.S. has been very affirmative. The calls to the White House have been 10 to 1 in favor.

Kissinger: Last night Jackson<sup>2</sup> said we were overreacting. This morning he said he had been misguided and had warned against overreaction and he was glad to see the President hadn't overreacted. The Vice President said that 16 Senators spoke in support.

Shah: I am sure you would have done the same regardless of the PRC statement.

President: If necessary.

Shah: That should be a lesson to the PRC and everyone that there is a limit to everything.

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<sup>2</sup> Senator Henry M. Jackson (D-WA).



President: There were legislative restrictions imposed in the 1973 act and the War Powers Act, which some said meant the President couldn't act. This showed we could and did and showed the world we weren't hamstrung.

Shah: It shows the world that when the U.S. decides to do something it can be decisive.

President: I am delighted to meet you to talk over the problems. I would be pleased in having your views on the Middle East in light of the reassessment we are having here. We are determined to prevent stagnation. We are getting the views of many parties and your views would be enormously valuable.

Shah: Thank you. We have been in touch with Secretary Kissinger.

Kissinger: His Majesty warned me in November to get out of the negotiation.

Shah: We hope he will continue his effort, even before Geneva reconvenes.

If our Israeli friends realize how stupid they were . . . They have a Masada complex; they like to suffer. What is important to them is recognition and the security of Israel. If they had made that movement they would have been recognized by the Arabs. The passes aren't protection in a modern war. They can go around them or over them. The Bar-Lev line was a good line but it was smashed.<sup>3</sup> Israel doesn't have the potential, the economy, or the people to compete. They were mistaken not to come to terms. Sadat was wise there; he couldn't accept their proposal and stay alive. What was he asking? Not so much. The Mitla pass they wanted for a defensive and not an offensive policy. The reopening of the Suez Canal demonstrates his defensive strategy. We recognize that Israel has the right to exist. This could have been clinched by greater good will by Israel. I have to blame Israel for this failure. I think it is the internal weakness of Israel. If Secretary Kissinger could initiate a movement, even before Geneva, it would be good. Otherwise you would have to go to Geneva and drag it out so the Soviet Union didn't claim the credit. That would be dangerous.

The Syrians are becoming difficult. I wonder if the Syrian-Iraqi feud is not partly Soviet-inspired. They don't like our rapprochement with Iraq. I had to make a quick agreement with Iraq.<sup>4</sup> I have to say this in the face of all the press reports that I had abandoned them. They weren't fighting—we were. The Kurds weren't fighting. Sadat, Hus-

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<sup>3</sup> The Bar-Lev line was a string of fortifications that Israel built to the east of the Suez Canal on the Sinai Peninsula after the 1967 Arab-Israeli war. The line was overrun by Egypt at the start of the 1973 war.

<sup>4</sup> See footnote 4, Document 121.

sein, Boumediene said “Give them [Iraq] a chance to cut loose from the Soviet Union and adopt a more independent policy.” So at Algiers I had talks which settled the borders and opened the way for Iraq to be more independent of the Soviet Union. Now Iraq is offering a treaty for a joint defense of the Gulf against local or outside powers. This protects Kuwait against them. I was trying to promote this 4–5 years ago to the Saudis.

At the same time Iraq and Syria are mobilizing against each other. I don’t know where it will lead. It could be the Soviets, but one could argue to the contrary that it is to their interest to unify the Arabs against Israel. Maybe it’s a warning to Baghdad that if there is too much independence they will take action.

The division of the Euphrates waters between Syria and Iraq is the problem.

Kissinger: They are a bloody-minded bunch.

Shah: The two of them were never really friends. The British tried to create the fertile Crescent—Union of Syria, Jordan and Iraq. The Soviet Union wants a red crescent—of Syria and Iraq. Once you have a legal Communist government they penetrate everywhere. I warned Iraq about this. They recognize it.

Our relations with the Egyptians and Saudis are very close. The new King is respected. He is taking his job seriously. He is not a total figurehead, but he doesn’t mix too much in policy. Fahd is okay, we believe. Maybe in this respectable post he will be more responsible than before. I hope the six or seven brothers won’t be split.

President: Are there any signs?

Shah: Not yet; it is a huge family. I spoke to the Saudis. I said, you don’t need money, what you need is a clean government.

Kissinger: They add 10% to every contract.

Shah: That’s the minimum. The French do 20%. I told Fahd this and he knows it. If they can’t liquidate bribery and bring in non-family people, they will not remain stable.

Kissinger: Won’t the non-family people overthrow them?

Shah: No, they will bring them into the establishment. The Bedouins are not easy to rule. Religion is important. We have to be prepared for anything.

President: Henry told me what he told you we would do if there were a Qaddafi-like development in Saudi Arabia.<sup>5</sup> I reaffirm it.

Shah: That is good. We should consider Egypt, too, as they are an Arab country. They can’t tolerate that kind of Saudi Arabia. Their role

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<sup>5</sup> See Document 119.

must be carefully defined, however, because we don't want an imperial Egypt like we had under Nasser. We have no designs—we don't need it. But Egypt needs it. But they need the money, not the land and people. What Egypt does in Libya isn't important—the Libyans are not much—but what they do in Saudi Arabia is. It would get Egypt into the Gulf. An imperial Egypt couldn't be sustained by you or us and would have to turn to the Soviet Union.

So we must discuss in detail to what extent we get Egypt in. If it is totally non-Arab, there might be some resistance, but the extent of Arab participation is worrisome.

Kissinger: I would worry about an Egyptian army in Saudi Arabia. Political support is good; maybe a few troops.

President: How good is the Saudi military?

Shah: Not very. It is small.

Kissinger: It took them two weeks to cross the Jordan. It was all screwed up. The Israeli strategy, too.

Shah: Israel can't fight a defensive war. If the U.S. could make an initiative before Geneva, it would be helpful. Your meeting in Salzburg will be crucial. You will find Sadat a cooperative man. He is not in an easy situation and has courage.

Egypt should be free on the Western front. They need some money to solve their economic crisis.

Kissinger: Are they planning something in the West against Libya?

President: How cooperative is Israel?

Shah: They [Libya] are stockpiling much equipment.

Kissinger: But they can't use it. They don't have the skilled people.

Shah: But they are amassing immense amounts of equipment. Qaddafi is a nut.

Kissinger: He once offered to buy Mintoff.<sup>6</sup>

Shah: So getting them involved in the West would keep them busy.

Kissinger: Could we talk to Sadat about it?

Shah: This Qaddafi is a real nut. He is making trouble.

If you can't work something out with Sadat before Geneva, the dangers of a stalemate grow. A successful Geneva will redound to Soviet credit, because they are pushing it. The momentum should be continued. It would have been except for the foolish Israelis.

President: We were bitterly disappointed.

Kissinger: It was against their own interests. Wouldn't an agreement have taken Sadat out of it for years?

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<sup>6</sup> Dom Mintoff, Prime Minister of Malta.

Shah: He said he was prepared to go it alone.

I am also concerned about South Asia. India says it doesn't want the dismemberment of Pakistan. Afghanistan says the same because they don't want the Indians on the border. They are not acting that way, though. The problem is Afghanistan is adding Baluchistan to Pushtunistan. Both of these areas take most of Pakistan. They would go to the Gulf. Baluchi refugees have been a core of a Greater Baluchistan. It won't happen, because I won't let it, but it is a problem.

The Soviets are a real problem in this area. The Soviets are talking détente, but never have their military been stronger. West of the Urals they have 40,000 tanks. They have a rapid Navy building program. Funny thing, the PRC is telling us all this.

Kissinger: They are our best NATO ally.

Shah: Yes. They are very good. We had a visit of their Vice Premier and tried to follow what was going on. The PRC really hates the Soviets.

President: Has there been any progress in the border dispute?

Shah: No. The Chinese demands aren't much. They may be waiting for more missiles or something. They are creating practically whole cities underground. I said why? They said, because the military equipment is vulnerable. I told him we couldn't tolerate the dismemberment of Pakistan.

Kissinger: Would you resist?

Shah: Have we a choice? Or taking Baluchistan ourselves.

President: Could India take out Pakistan?

Shah: Yes. There is a great disparity. But there is obviously a concerted Indian, Afghan and Soviet policy. It will take a long time before we have a settlement of the problems.

Things seem to be going the Soviet way. Take Europe, Portugal, Italy, the terrorist action. England is doing badly.

President: They vote on European Community soon. It would have a serious impact if they don't affirm it.

Shah: Their problem is they don't work.

Kissinger: The coal miners got a 35% raise last year and now they want another 30%.

Shah: They have a narrow margin and can't implement a policy. The government doesn't stop the unions and the people seem to have lost their guts.

With the French, even the Army and police have been penetrated by the Communists. Europe is in poor shape. The Soviets don't have to do anything. They can win it all without firing a shot. That is why American strength is so vital. If you leave Europe you won't go back.

President: I think there is some change, even before last night. If what happened in Vietnam and Cambodia had any plus, it was to teach us we must maintain our own strength. The reductions in the defense budget are a little less this year. Last night should help.

Shah: I hope they won't forget it in a few weeks.

President: Henry says he found a new mood in the Midwest.

Kissinger: You may not like the energy portion of my speech but I am trying to move towards you.<sup>7</sup> But the purpose of it was to plead for an end to self-doubt. I got tremendous applause. The intellectuals have lost their nerve, but the people are strong and don't like losers. Nixon couldn't rally the people at the end, but now we can. I agree Europe is morally bankrupt.

Shah: I got a message from Schmidt to speak to you of the Soviet danger.

Kissinger: That's good. That shows they are worried.

The Soviets protested my Berlin trip after my meeting with him.

Shah: Because of this we need the U.S. to be stronger than ever. Or the Soviets will spiral slowly everywhere.

President: The vision of a strong America now is in the West and center of the country, not the Eastern seaboard. I spoke to some people yesterday saying that we would meet our challenges. I got great applause. I think the people are ready for a new spirit.

Shah: I am glad. I think it is essential. Portugal could be an eye-opener. Are the intellectuals for democracy?

Kissinger: Not really. They just can't have an enemy on the left. The previous Portuguese regime was inefficient but benign. The present one is efficient and *not* benign.

Shah: The intellectuals will destroy the world without knowing how to replace it. They don't have a plan. They would be street cleaners in a Communist regime.

Kissinger: The West could buy off the intellectuals. Their pay is poor but they are expected to be upper middle class. But as it is, they resent the system rather than support it.

Shah: That is true. It would be easy to have a professor on a board of directors.

President: There is a trend here. The President of the University of Michigan is on several.

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<sup>7</sup> Kissinger spoke in Kansas City, Missouri, on May 13 on energy and raw materials. See the Department of State *Bulletin*, June 2, 1975, pp. 713–719.

Kissinger: It has to reach the professors. Because it is the ones who write who put out the poison. The forced evacuation of Phnom Penh they call a peasant revolt; if we did it we'd never hear the end of it.

President: The conversation we had yesterday with the Dutch Prime Minister was sad. There was only condemnation of the previous Portuguese Government and sympathy with the new government. He said we should give aid to the new government.

Kissinger: The President asked him how does giving aid to the communists aid the democratic forces. He didn't know. His comment about means and ends last night was dreadful.

Shah: These intellectuals will win over the world without creating a better one, because when they destroy it the Communists will take it over. The Indians try to tell me they are peaceful, but if they are, why do they need the atom bomb? What did they do it for, with millions of starving? They have admitted there are areas they can't even help within their country. Do they need the bomb against China? It is hard to believe. They don't need it against Pakistan. Maybe it is the Hindu philosophy that they must prevail in that area.

Kissinger: Mme. Gandhi said she couldn't forgive her father for leaving Baluchistan out of India, because it was in India's "historic sphere."

Shah: I am glad you lifted the arms embargo [against Pakistan]. They can't go in for an aggressive war because India is too big. But we should give them the ability to defend themselves.

Kissinger: They haven't bought anything yet.

Shah: They have no money. They asked me for \$1 billion. I don't have it. The Saudis do, but they don't have the close relations we do.

The Turks want to get spare parts. I said I would talk to you because I can't afford it if they are not replaced.

President: I am seeing some Senators right now.

**126. Memorandum of Conversation<sup>1</sup>**

Washington, May 16, 1975, noon–1:15 pm.

**SUBJECT**

Shah of Iran Visit

**PARTICIPANTS***Iranian Side*

The Shah of Iran

Ambassador Zahedi

LTG Mohsen Hoshemi-Nejad, Military Aide & Chief of Military Household

*U.S. Side*

Secretary of Defense, James R. Schlesinger

Ambassador Helms

Secretary Ellsworth

MG John A. Wickham, Jr., Military Assistant to the SecDef

1. Secretary Schlesinger welcomed the Shah and indicated that the Department would endeavor to work out as quickly as possible whatever problems might exist with regard to equipment and training.<sup>2</sup> In return, the Shah expressed his gratitude to the American people and the Armed Services as well as to Secretary Schlesinger for assistance to his country and to the Iranian people. He said that, as a matter of policy, Iranians would like to buy as much as possible through FMS although isolated cases might occur in which it would be necessary to buy directly from U.S. companies. He complained that prices had grown in a very striking way, upwards of 50 to 300%, with spare parts and ammunition. As a case in point, he indicated that a rental price of a C5A had risen from \$70,000 to approximately \$250,000. Secretary Schlesinger suggested that perhaps the growth in fuel prices had an important bearing on such inflation.

2. Concerning fuel prices, the Shah replied that the cost growth will force the United States to become self-sufficient on energy and that

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<sup>1</sup> Source: Washington National Records Center, OASD Files: FRC 330–78–0058, Box 65, Iran 091.112, 1975. Secret; Sensitive. Drafted and approved by Wickham on May 19. The meeting was held in Schlesinger's office.

<sup>2</sup> A briefing memorandum for Schlesinger, undated, noted that "our policy remains that of giving the Shah pretty much what he wants, in the apparent expectation that he will serve, for the mid-term at least, as a 'strong-point' for U.S. policy in the Gulf area, pursuing policies and objectives either directly supportive or at least not in conflict with our own. There are, however, increasing signs of possible future disagreements (Persian Gulf as a 'closed sea,' withdrawal of major powers from Gulf, support for Arabs in event of future Arab-Israeli War, raw material pricing policy). In any event, it has scarcely been the 'mature relationship' State describes, since this presumably would require that we discuss differences frankly and seek long-term accommodation of all important issues." (Ibid.)

such self-sufficiency was an important objective for all countries. The United States, which must be the bastion of one civilization against another civilization must be energy self-sufficient. There was a time when a nation could pay a low price for POL but that time is gone forever, and now a nation must pay what it is worth. While he said it was necessary to pay such prices, he did not believe that the tremendous growth in costs of ammunition and spares was attributable solely to POL inflation.

3. Regarding armaments, the Shah said he had no reason to relax preparedness. One of the major tasks would be to decide what would be necessary in the way of air defense and air superiority equipment. Eventually, it would be necessary to replace the F4D which would phase-out in 1978. The F4E's would phase out in 1980 or 82. The Shah said that he was thinking of the F18 to replace the F4. He also noted that eventually he would submit orders for F16's to complement the F14's. In addition, he suggested that Iran might wish to co-sponsor development of the F18 as well as a transport aircraft which the U.S. has under development. Finally, he mentioned desire to co-produce items for which the Iranians require large orders. Secretary Schlesinger welcomed the suggestion of participation in the development process. The Shah returned to the F18 and suggested that Iran might purchase upwards of 240 which would help the Navy in terms of lowering potential production costs. The Secretary pointed out that we do not have an approved program for the F18, and it will be necessary to go through contract definition as well as approval by the Navy and OSD. Furthermore, there may be some problem with Congressional approval. The Shah replied that the F18 is not an urgent issue. What is urgent for them is to procure a fighter that will be in the U.S. inventory such as the F16. He wants the F16 in a 2 to 1 ratio with the F14's (approximately 160). In addition, he wanted to procure F16's to replace the F5E's. Thus, Iran would procure 280 or 300 F16's. The first 160 he wanted quickly, with the rest to come as the F5E's were disposed of. If the F18 comes along as an approved program, then Iran would want to have it as a replacement for the F4. The Secretary agreed that this was a subject for further exploration. In the U.S. the F18 is proposed as replacement for the Navy's A7 and F4, while the F16 is to replace the Air Force F4. The costs for the F18 are not certain at this stage. We hope that the F16 will come in at \$5 million and current estimates are that the F18 might be \$7.5 million. As to the Navy, the Shah said he might order FRAM class destroyers to replace his frigates.

4. In response to the Shah's concerns about price inflation, the Secretary noted that we are painfully aware of price rises which affect DOD procurement of all major end items as well as spares and ammunition. Prices in large part reflect the growth in costs of labor and



matériel. Perhaps a softening in the U.S. economy will lead to a tapering off in cost growth. Nevertheless, the law requires that DOD recover full costs for FMS. The prices that DOD must pay for equipment are the same as those FMS customers pay. The Shah said he would be satisfied if Iran were charged the same prices as DOD, but he felt that in some cases ammunition and spares were procured sometime ago and therefore their costs would not be the same as replacement costs. Ambassador Ellsworth indicated that the whole issue of cost would be reviewed carefully. The Shah welcomed such a review and asked that it examine specifically the subject of ammunition and spares as well as the rental of C5 aircraft. If the rental of the C5 was too costly, it would be more economical to fly recently procured helicopters directly into Iran. The Secretary said that the review would ascertain whether prices are in line with cost recovery.

5. Turning to communications and radar systems, the Shah indicated that the ultimate cost could be nearly \$6 billion. Iran expects the U.S. to develop the best plan and be the judge as to which products would be best for Iranian needs. The issue as to whether Iran should procure a fully automatic or a semi-automatic system was open to question. Perhaps a combination would be better for their needs at the present time. He commented favorably on the automatic capabilities which he had just witnessed on the AWACS. In connection with the radar deployment, he said that Iranians have reason to be alert to the potential threat on their eastern border. For this reason, it would be necessary to think about acquiring AWACS because of its area coverage capability and because ground radars probably would not be deployed for 3–5 years. Moreover, the mountainous terrain of Iran calls for down looking radar capabilities. He said that Iran will probably have to go with AWACS regardless of cost and competition for skills. The Shah indicated that he previously was briefed on the Navy's E2C but, because of its limited range, such an aircraft would not be capable on the eastern frontier. The Secretary said that DOD remains concerned that the resources acquired by Iran do, in fact, meet Iranian needs and capabilities. DOD will continue to do its best to keep program advocates under control, but we cannot assure complete success.

6. As to the strategic situation, the Shah stated that military preparedness by Iran is essential and that the eastern frontier problems are what preoccupy him the most. For example, there is a possibility that an eventual secession from Iran of Baluchistan and Kerman could occur thereby ultimately permitting the Soviets to achieve direct access to the Arabian Sea through Afghanistan. [2 lines not declassified] The Shah felt the Soviets had initiated efforts to improve the military capabilities of India in order to fight Pakistan. He showed the Secretary a memorandum which outlined possible acquisitions of modern arms by India

to include approximately 80 MIGs. In contrast, Pakistan has only a few Mirage and F84. In this connection, Pakistan has requested \$1 billion credit from Iran, as well as additional credit from Saudi Arabia. The Shah asked whether spare parts could be provided for Pakistani weapons, and the Secretary indicated that, as far as he knew, no problem existed with providing spare parts. He did note that there was a problem with Turkey and hoped that Iran might assist, not, of course, with provision of end items because of Congressional constraints on delivery to third countries, but in terms of financial resources. The Shah replied that there is considerable turmoil internally in Turkey and that a dearth of leadership exists. However, when the President of Turkey visits in the near future, he will try to be helpful to him. In summary, the Shah indicated that the underlying concept of Soviet imperialistic moves is to create a situation which would deny the Middle East oil to the West and that through such denial, the West would be effectively immobilized.

7. The Secretary remarked that as we look around the world for stable countries, Iran stands out as one of the most exemplary. It is our wish that other countries would be comparable to Iran. The Shah noted that fortuitous events had occurred in Iran which provided important opportunities. Turning to comments on other countries, the Shah felt that the FRG, Austria, and Switzerland were solid. In France, Communist penetration of the armed forces should be of considerable concern. The Secretary noted that one of the lessons the Soviets learned in Chile was that they must target the armed forces just as they are doing in Portugal. The Shah hoped that the Portuguese situation would be a valuable example to the Spanish. He felt that Egypt was stable for the time being, as was Algeria. Libya was anyone's guess. In Saudi Arabia, the leadership transition was better than expected. He felt that the King was respected in the family and was not just a puppet, although apparently there are arrangements which limit his governmental activity. The real issue in Saudi Arabia was whether the regime would make the necessary reforms and bring in faces outside of the family. He noted that Saudi Arabia had two armies—one to watch each other. Such a situation would never exist in Iran. As to the Syria-Israeli situation, the Shah felt that the Syrians would be very difficult to handle. He also was disturbed to see evidence of corruption in Israeli political and military leadership.

8. The meeting concluded with reiteration by the Shah of gratitude for support to his country, and reiteration by the Secretary of welcome, as well as our admiration of the stability and strength of the Iranian nation.

**127. Memorandum of Conversation<sup>1</sup>**

Washington, May 16, 1975, 5:30 p.m.

**PARTICIPANTS**

Mohammad Reza Pahlavi, Shahanshah of Iran

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National  
Security Affairs

Shah: We are introducing a modern drip system of irrigation. It has fantastic results. You save 25 percent of the water and it penetrates. It's only of use for fruits and vegetables but not wheat and corn. Regular irrigation must be used for them, and that is expensive. We probably never can grow enough wheat.

President: Do you have mechanized wheat growing?

Shah: No, it is like yours. But we are introducing maize and soya. We are learning to package delicate vegetables. Also freezing and gamma rays we are looking into. We are also fighting pests and insects—which requires a chemical industry which we are starting.

President: Most Americans don't realize the tremendous gains we have achieved in our agriculture. It is the greatest gain in productivity we have achieved in any sector. Only five percent of the people are now in agriculture. Only a few years ago it was 12–13 percent. It still is a hard life, but it appeals to some. My son is a ranch hand for a year.

As you know, Your Majesty, we have been trying to promote an energy program here since January. We have been slipping in not using coal deposits, and oil production is falling. We were the beneficiary of low oil prices and Americans were not preparing themselves for the problems of 1973. I know you have a great knowledge here and look at the whole world picture. We have been trying to work with producers and consumers to save the consumers and protect the producers. The Prepcon unfortunately broke up when some insisted on inclusion of other commodities. We have to recognize the rights of producers and they must see our problems. Any suggestions you have would be appreciated.

Shah: This is a very important subject, Mr. President. The U.S., as champion of the Free World, almost doesn't have the right to let itself

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 11. Secret; Nodis. The meeting was held in the Oval Office. All brackets are in the original.

be dependent on the outside. As a matter of fact I will take up with Dr. Kissinger a swap.

President: He has told me. It sounds like a fantastic arrangement.

Shah: Yes. But the United States has to be independent. So the oil price has to be equal to other forms of energy. In the meantime, maybe a swap would work. It would not create petrodollars.

[Secretary Kissinger arrives at the meeting.]

Kissinger: AHEPA<sup>2</sup> wants our installations thrown out of Turkey.

President: They are naive.

Shah: They are very shortsighted.

President: They will end up with someone like Papandreou.<sup>3</sup>

Kissinger: What I think will happen in Greece is that the military will move left and make a deal with Papandreou.

Shah: That would be bad. He is a dangerous man.

President: [Reviews earlier conversation for Secretary Kissinger.]

Shah: We can deliver an agreed amount of oil for an agreed amount of equipment. You could pay in bonds which would adjust for inflation. I could use the bonds for equipment.

President: That sounds okay. We give the notes for oil and get them back when the military equipment is shipped.

Shah: But I think you must develop alternative sources, because in 25 years this will be out.

Kissinger: Five years ago His Majesty offered 2 million barrels for \$1.

Shah: I can't thank you enough for turning it down.

From oil come 70,000 products. It is very versatile. You have coal, shale, sands, nuclear power, solar power, etc. In some cases we are ready to invest jointly for new sources, because we will need it ourselves.

The influence of oil on Western inflation is 2 percent—this is your figure. Industrial inflation was 14 percent but the prices to us have gone up 35 percent. But we must have some kind of agreement, based on some tangible predictable relationship. We must index, or any other proposal which keeps our purchasing power intact. Perhaps indexing to 20–30 commodities, although that might be difficult.

We would like to help. Venezuela might be with us. Mexico wants to join OPEC. OPEC is not weakening. My argument in Algiers was

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<sup>2</sup> American Hellenic Educational Progressive Association.

<sup>3</sup> Andreas Papandreou, a Greek politician and founder of the Panhellenic Socialist Movement.

that we have to depend on the commodity trade.<sup>4</sup> But what happens to the Third World, with oil and industrial prices going up? What can we do? The Saudis will follow us—they will always be a moderating element. Between us we can do something interesting. That will give us time for reconvening the Prepcon. I can defend an agreement on two grounds: defending our purchasing power. . . .

President: How much do you produce?

Shah: The companies have cut back 700,000 barrels.

Kissinger: That is why we could be taking 500,000 barrels a day.

Shah: We can use the money. We need it for social services—housing, school lunches.

President: We are having a slowdown in building.

Shah: They could begin building in June. We have agreed with you for a 2000-bed hospital.

In one generation we will catch up with Europe.

President: Have you done much in the field of higher education?

Shah: Very much. We will have 150–200,000 people in college, and 15,000 of them in the United States. We have exchange programs with American schools. We are using television teaching—using satellites. We are especially interested in technical schools, and in the meantime we are getting workers from countries with a labor surplus—India, etc. We will be taking some of the Vietnamese.

The Saudi man is in Tehran to discuss how to reconvene the Prepcon. If we and the Saudis get together, Venezuela will follow us and I think OPEC will follow.

Kissinger: We don't object to a meeting again in Paris. If we could have a prior understanding with you, we could manage IEA and you could manage OPEC. That would avoid the problem.

President: We should be self-sufficient by 1985. If we could have an embargo for a couple of weeks, we could get some action!

Shah: Javits asked me if we could sustain the high prices. I told him there would not be over-production. The companies themselves lowered the price. We have made a deal with El Paso and Distrigar of Belgium. El Paso will take the equivalent of 1 million barrels. They have some problem with taxes.

President: The American people are very interested in gas. It is clean and cheap, but so cheap there has been no exploration. We will face a severe shortage.

Shah: We could provide it. We are providing much gas to Europe. Our resources are the world's greatest.

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<sup>4</sup> The Shah is referring to the OPEC Summit in Algiers March 4–6.

President: It would take special tankers.

Shah: But we should look at the swap. It is oil against goods, not petrodollars. It will also avoid you having to look for oil from unreliable sources.

President: I would be interested in your further comments on the Pakistan–Afghanistan problem.

Shah: I touched on this in the Pentagon and the Senate Foreign Relations Committee. Even McGovern<sup>5</sup> didn't say anything.

If they put together the Pushtunistan and Baluchistan problems they could destroy Pakistan.

The Soviets have agreed to deliver to India a high number of MIG–23's and MIG–25's.

President: Is the Indian military capability effective?

Shah: Against Pakistan.

Kissinger: What would you do if there were an attack?

Shah: We couldn't stand by if they were victims and see the Indians and Afghans divide it up. Why does India have a friendship agreement with the Soviets? The Soviets now have usually 30 ships in the Indian ocean.

If anything happened, we would have to ground the Pushtanis and Baluchis. If we were to occupy Baluchistan, the Pakistan Army could move forward.

President: How about the Afghans?

Shah: They aren't well-trained but they are good soldiers. We fear in Afghanistan there may be a coup by pro-Soviet military troops. They are training in the Soviet Union now.

President: How about Iraq?

Shah: I hope Syria will keep them busy?

President: Can China stay out, if there is a war?

Shah: For them it is like for us.

In Vietnam, the most dangerous situation would be a Soviet-dominated government. They would then be in the corner of the Indian Ocean.

I had no problem in the Pentagon. I am grateful. I raised the matter of the exorbitant price of spares, and leasing the C–5s.<sup>6</sup>

Kissinger: We have to overcharge some way so you can send spares and we replace them.

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<sup>5</sup> Senator George S. McGovern (D–SD).

<sup>6</sup> See Document 126.

Shah: On the grounds my technicians are using too many. But your people must keep their mouths shut.

President: We are working on the Senate passing the Turkish aid bill.

Shah: If we can work out something on the spares while you work it out, it will help keep the lid on the Turks. They are sensitive.

President: We met with the Ambassador. The embargo is especially bad on spare parts that they have already bought. Our Congress is shortsighted.

Shah: That's right. What would happen to Greece if Turkey went to the other side?

Kissinger: They could turn to Libya.

Shah: It's better if they turn to us. The Turkish President is coming to see me in June.

Kissinger: I will give you a report of our meeting with the Turks.

Shah: The Turks are almost in the position they can't hold maneuvers. We need your people to keep quiet on the spare parts deal.

Kissinger: I will talk to Schlesinger.

[There was a short discussion of Greek folly of putting in Sampson and the poorly executed Turkish invasion.]<sup>7</sup>

Kissinger: Maybe after our talks with Demirel,<sup>8</sup> there is some way you could help.

Shah: But I will have to open the valves of my Treasury. Their balance of payments is bad. The Turkish workers abroad are coming home. That's a problem.

Maybe your Cambodian success will help with the Congress with the Turks. In the meanwhile, if we can help with the Turks, we would like to. It would be a calamity if we lost the Turks. Sometimes I say the Soviets just have to sit and wait.

President: Hopefully they will make some mistakes in just waiting, but we can't count on that.

Shah: But they are very cautious. They did push Geneva, but they're not pushing it much now because they would be responsible if it failed.

President: How do you feel about the PLO?

Shah: People look at Arafat differently. But it only takes one bullet for him—and the leftists are always the best organized. Sadat is not too enthusiastic about the Palestinians. What will happen is if they get es-

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<sup>7</sup> See footnote 3, Document 89.

<sup>8</sup> Suleyman Demirel, Prime Minister of Turkey.

tablished, they have to go to the left. They are among the most extreme. They will have to expand and they will first move to Jordan and then will be on the border of Saudi Arabia. Think of that! But we can't leave out the possibility of a Palestinian state as a solution. Our only hope is some responsible Arabs will get frightened and set up some sort of wall against the expansion of the Palestinians.

President: How many of them are there?

Kissinger: Probably 2 million, but there is nowhere to put them. Therefore, it must lead to expansion to take care of them.

Shah: But this prompts me to say again that Israel was silly to create problems for you in March. Maybe they banked on a split here between you and Congress.

President: I think they can't count on Congressional support like they did in the past. The situation has changed. I think they are miscalculating.

Shah: It's also the weakness of the Government. If we only had Golda!<sup>9</sup>

Kissinger: I never thought I would look back on her with nostalgia!

President: When are you leaving?

Shah: Sunday. I'm going to visit the Vice President.

Kissinger: It is a lovely place. Nelson is in his grandfather's house and each brother has a separate place.

President: He is doing a great job.

Shah: I saw him yesterday. He is very dedicated.

Thank you very much for inviting me here. I am grateful for establishing these personal contacts. We need you like the rest of the world needs you. Maybe we can be of some help.

President: May I express for me and Mrs. Ford that we are grateful for everything and for the gifts. Henry has told me if I wanted to talk to someone who had an objective view of the world, it was you. I have confirmed that.

Shah: I hope you win the election.

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<sup>9</sup> Golda Meir, former Prime Minister of Israel.



**128. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, May 21, 1975, 0915Z.

4788. Subj: Assassination of Two ARMISH/MAAG Officers.  
Ref: Tehran 4768.<sup>2</sup>

1. Our preliminary analysis of Shaffer and Turner assassinations is that this was an isolated act designed to achieve maximum embarrassment for regime on day Shah returns from heavily and favorably publicized trip to the United States.<sup>3</sup> Assassinations were also clearly planned to coincide with anniversaries of attacks on General Price and LTC Hawkins.<sup>4</sup> We are taking precautions. An anonymous female caller to the Embassy three hours after the assassinations described murders in Farsi as first of nine persons among high ranking American officials who are to be killed "as a punishment for the Americans." Telephone caller attributed murders to Mohjaheddin-e-Khalq ("People's Strugglers"), a fanatical Moslem group which has been linked to several assassinations during the past year in association frequently with the Cherkha-ye-Fedai-ye-Khalq ("People's Sacrifice Guerrillas"), Marxist group.

2. Since May 4 two military officers assigned to MLG detachment have been under surveillance by unknown persons. Surveillance developed a fixed pattern in that officers were regularly followed in the evening, never in the morning. A counter check was established which confirmed the surveillance pattern. On day before Shaffer and Turner murders, the pattern was broken, i.e., there was no indication of surveillance. We presume that surveillance of two MLG officers was

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750178–0251. Confidential; Niact; Immediate. Repeated Niact Immediate to SecDef, USCINCEUR, JCS, Department of the Army, USAF, and CNO.

<sup>2</sup> Telegram 4768 from Tehran, May 21, reported that two ARMISH/MAAG officers, Paul R. Shaffer, Jr. and Jack H. Turner, had been assassinated by anti-regime terrorists who rammed their car from behind and then shot them. (Ibid., D750177–1084)

<sup>3</sup> According to telegram 4811 from Tehran, May 22, the Shah was visibly upset at his welcome home ceremony on May 21. Offering condolences to Miklos, the Shah remarked: "Perhaps people in your country will now realize what terrorists are and not call them intellectuals. Sometimes they kill us and sometimes they kill you. We must fight them." (Ibid., D750179–0859) DIA Special Defense Intelligence Notice 1217–75, May 21, concluded that terrorists were trying to attract adherents by attacking Americans, who were blamed by most Iranians for perpetuating the Shah's rule, and by leftists and intellectuals for encouraging arms expenditures that detracted from Iran's modernization. Radical religious conservatives, meanwhile, resented the growing U.S. population in Iran. (Washington National Records Center, OASD Files: FRC 330–78–0058, Box 65, Iran 000.1–299)

<sup>4</sup> See Document 18.

linked to assassinations, possibly as a move to decoy us or as alternate targets.

3. After drafting reftel we learned that booby-trapped briefcase was left in victims' car. It was exploded by police bomb squad.

4. We have unconfirmed report that SAVAK informer was also assassinated at 06:00 in same general area as Shaffer/Turner attack.

5. Assassinations were obviously work of professional murderers and bear close similarity to earlier attacks on Iranian officials. It is plain that terrorist groups are acquiring a greater capacity to execute attacks on designated targets. We do not believe this indicates any change in public sentiments towards American military assistance to Iran or Americans in general.

6. Following message just received by Consular Officer from second caller who said, in broken English: "The killing of two Americans—this was work of Movement Mojaheddin of Iran. This is for the felons killed in prison. Shah shot nine persons in prison. Shah is criminal." Press announced April 20 that nine terrorists in escape attempt were shot by Gendarmerie troops. (Ref Tehran 4408 (Notal)).<sup>5</sup>

**Miklos**

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<sup>5</sup> Telegram 4408 from Tehran, May 12, reported that nine alleged terrorists were killed in mid-April while trying to escape during transfer from one prison to another. (National Archives, RG 59, Central Foreign Policy Files, D750167–0526) Telegrams 7463 and 7734 from Tehran, August 1 and 11, announced the capture of the suspected Turner and Shaffer assassins. Telegrams 53, 617 and 738, January 4, 21, and 25, 1976, reported that the terrorists had been tried and, in most cases, executed. (All *ibid.*, D760002–0253, D760024–0453, D760028–1026)

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## **129. Telegram From Secretary of State Kissinger to the Embassy in Iran<sup>1</sup>**

Paris, May 28, 1975, 0420Z.

Secto 2021. For Ambassador from Secretary. Subj: Message from Secretary to Shah.

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological File, 1 April–30 May 1975. Confidential; Immediate; Nodis. Repeated Immediate to the Department of State.

1. Please deliver following message from Secretary to the Shah, during the morning of May 28.

2. *Begin text:* Your Imperial Majesty: As we discussed during your visit to Washington ten days ago, our thinking on how to advance the dialogue between oil producers, other developing countries, and the oil consuming countries has evolved. Today I put forward a proposed approach to the dialogue in the IEA which I will follow up tomorrow at the OECD.<sup>2</sup> I hope it will break the impasse. This approach owes much to discussions we have had and which our associates have had together. I hope it will recommend itself to you.

3. The first step, as I see it, would be to reconvene the preparatory meeting in the same format as before. The time could be relatively soon, certainly a matter of months as I see no reason for delay. I suggest that the format remain the same to avoid a tedious, non-productive negotiation over who would attend and what the rules of procedure might be. Clearly we have more important business to do than that.

4. The second step would be for the preparatory meeting to agree on the creation of a number of commissions to deal with the critical issues in relationships between developing and developed countries. Thus commissions might be set up for energy, for the problems of the most seriously affected nations, and for raw materials. Conceivably there would be others. Each commission would review all aspects of the problem assigned to it: Including finance, investment, trade, and production.

5. The way in which each commission proceeds about its work would depend in considerable measure on the nature of work already being done in the field. For the most seriously affected, there is already much activity, and the commission's role would be essentially to monitor, to supplement, and to orient that work giving it the thrust and purpose it must have. The commission on raw materials would have a similar role. In the case of energy, since there is no existing international organization in which the basic questions are dealt with, the commission should also function as a means of addressing and resolving the underlying substantive issues.

6. In each case, I would envisage that the basic issues that have been raised be addressed. Under raw materials, for example, you would no doubt wish to raise the question of terms of trade. And we

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<sup>2</sup> Similar messages were sent to Saudi Prince Fahd, Algerian President Boumedienne, Venezuelan Foreign Minister Escovar, and Brazilian Foreign Minister Azerada da Silveira. Documentation on the U.S. activities in the IEA and the OECD and the convening of the second preparatory conference (Prepcon) is in *Foreign Relations, 1969–1976*, volume XXXVII, Energy Crisis, 1974–1980. For the text of Kissinger's statement at the May 27 IEA meeting, see the Department of State *Bulletin*, June 23, 1975, pp. 838–844. He addressed the OECD Ministerial Council on May 29; see *ibid.*, pp. 849–855.

wish on our side to consider how adequate resources can be obtained for the development of raw materials and how in general raw material markets can be made to function more efficiently. Actual negotiations on commodities would remain the purview of already existing commodity groups such as for coffee, cocoa, tin.

7. Clearly we would want to limit membership in the commissions to assure their effectiveness. I think we both are anxious to avoid a new UNCTAD. In my speech today I suggested that we seek to limit the membership by applying objective criteria. For raw materials, for example, we could include those countries for which exports or imports for food and other non-oil raw materials constitute a certain minimum percentage of their total national product, and set that threshold high enough to keep the numbers within reason. We could do the same in energy. For the most seriously affected, we would have to seek another formula, one in which representative countries with the lowest capita income were chosen along with the traditional and new donors.

8. This proposed approach, Your Imperial Majesty, has two origins. First, our own thinking within the American administration on raw materials and other issues of the relationship between developed and developing countries has been evolving over the last several months. I expressed some of the first implications of our new thinking in a speech at Kansas City two weeks ago.<sup>3</sup> I will have something more to say about them tomorrow at the OECD meeting.

9. The second source is the realization that it would be difficult if not impossible to find a basis on which oil producers and consumers could discuss the new problems of energy without addressing the entire range of relationships between developed and developing countries.

10. My proposal is thus brought forward in a spirit of conciliation and innovation. In doing so, I do not think we should attempt to dictate too closely the timeframe of the work of the commissions—they could work simultaneously or consecutively and might, depending on the difficulty of the task at hand, require a shorter or longer span of time—nor should we attempt to structure too precisely their relationship to each other. My intent, rather, is to find an approach which recognizes both the essential unity of the developing countries in seeking an improved relationship with the developed countries, and the great diversity of interests, forums, and subjects to be addressed.

11. I hope this approach will, as it is intended, meet many of the concerns that the Iranian representative at the Paris preparatory meeting expressed, and that we have since discussed. Under Secretary

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<sup>3</sup> See footnote 7, Document 125.

Robinson is at the disposition of your associates to discuss this concept, if they wish. I hope, Your Imperial Majesty, that the Iranian Government will find it possible to support this concept, so that we may soon relaunch the dialogue between developed and developing countries, including on the essential issue of energy. I know that is your wish, I assure you that it is also most sincerely our wish. Warm regards. Henry A. Kissinger. *End text.*

Kissinger

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**130. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, May 29, 1975, 1205Z.

5010. Department please pass to Secretary. Department please pass to AmEmbassy Cairo and AmEmbassy Jidda for information. For the Secretary from the Ambassador. Subj: Message for the Secretary from the Shah. Ref: Secto 2021.<sup>2</sup>

In response to reftel, the Imperial Court transmitted afternoon of May 29 the following message to you from the Shah: *Begin text.* May 29, 1975. Dear Mr. Secretary: I have received through Ambassador Helms your message of May 28, 1975 concerning the resumption of the dialogue between oil producers, other developing countries and the industrial nations. I appreciate very much the efforts that are being made by your government, and especially by yourself, in breaking the impasse.

As stated earlier, we remain ready to undertake the dialogue, any time that the countries involved are prepared to embark upon a serious and meaningful discussion of issues of major interest to each other, in order to reach concrete results within a reasonable period, rather than to continue endless debate. I would, therefore agree with the reconvening of the preparatory meeting, as early as feasible, in Paris, with its previous composition, to complete its work for the launching of the future work on the dialogue.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840176–0223. Confidential; Immediate; Nodis.

<sup>2</sup> Document 129.

As it had been discussed before, we would concur with the establishment of a number of working groups or commissions at the expert or higher levels in order to prepare the ground for reaching decisions and conclusions. In addition to the three areas identified by you, namely: energy, raw materials and the problems of most seriously affected countries, it may be necessary, as you have also mentioned, to set up additional working groups or commissions, perhaps, on development and finance problems of interest to the oil exporting countries and other developing nations.

As regards the format of these working groups or commissions, we would have no objection to limiting their membership, on the basis of certain objective criteria, for the purpose of efficiency provided that genuine representation of interested nations is assured. In this context, it appears that the selection of membership by the preparatory meeting itself may raise the objection of most of the developing countries that will be excluded from the dialogue. In order to avoid such criticism, it would be advisable to consider, as previously suggested, the establishment of an intergovernmental conference of an enlarged body of nations, to be selected by their respective groups, which in turn would constitute the proposed commissions or working groups with a more limited membership. These bodies may then bring the result of their deliberations to the intergovernmental conference for necessary decisions or conclusions.

It has been our view from the outset that under the enlarged context of discussion it would be rather difficult to treat all of the subjects in the same detail or depth, especially taking account of the work already done at various international fora. However, if we are expected to lend our support and to make a contribution to the solution of major world economic problems that have not been given the necessary priority, or in certain cases neglected, in different international organizations, then our conference will have to address itself to such important and global issues to the extent required, with a view to reaching decisions or understandings that can be implemented either directly, or by other organizations, or can provide impetus to the ongoing work as the case may be.

In conclusion, I would stress that for the dialogue to be fruitful and conclusive, it would be necessary for all concerned to approach the problems of vital or major interest to the participants with a spirit of co-operation and conciliation, with a view to arriving at just and equitable solutions. I am glad to note that your message and your views expressed in our Washington meeting reflect that spirit. Our representative to the preparatory meeting, Mohammad Yegeneh, will be available to discuss the points raised in your message in more detail with Under Secretary Robinson as suggested by you.

With best wishes,

Sincerely, Mohammad Reza Pahlavi. *End of text.*

Helms

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**131. Memorandum Prepared in the Office of Current Intelligence,  
Central Intelligence Agency<sup>1</sup>**

OCI No. 0680/751

Washington, May 29, 1975.

SUBJECT

Iran's Mediatory Role in Middle East

1. Iran's economic and political ties to the three principals in the Arab-Israeli dispute—Egypt, Syria, and Israel—give it enough leverage to play a modest mediatory role. The Shah will use his limited leverage with great caution, however, and will be unwilling to risk his standing in either camp unless success is virtually assured. If he did agree to play a mediatory role, he would be much less willing to press the Arabs to concede on substantive points than to so press Israel.

*Ties to Israel*

2. Tehran has developed extensive, though circumspect, links to Tel Aviv since the establishment of offices in each other's country in the late 1950s. These offices function as diplomatic missions in all but name. The Iran–Israel entente has remained remarkably stable over the years, and has been based largely on a common antipathy toward Arab nationalism, and more specifically on a common desire to neutralize the Iraqi regime. This base has eroded in recent years, however, and Tel Aviv has shown some uneasiness over the recent improvement in Iran's relations with Arab governments.

3. In the commercial field, Iran is Israel's sole foreign supplier of oil, which is used both for domestic consumption and for reexport to earn foreign exchange. The Shah supplied virtually all of Israel's oil before 1967. In 1974 Tehran supplied about 30 percent (40,000 bpd) of Israel's domestic needs; the remainder came from captured Egyptian oil fields in the Sinai. The Shah attempts to get around Arab criticism of his

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<sup>1</sup> Source: Central Intelligence Agency, DI/OCI Files, Job 85T00353R, Box 1, Folder 17. Secret; [handling restriction not declassified].

actions by purporting that Iran sells oil to the oil companies, not to governments, and that he has no control over its ultimate destination.

4. Other trade is marginal; neither country produces the kinds of industrial goods that can account for a major share of the other's import needs. Iran has benefited from Israeli technical help in the fields of water resources and agriculture, and Israel provides overhaul and maintenance service on Iranian aircraft.

5. [6 lines not declassified]

6. There are continuing military contacts between the two governments. Cooperation includes training, exchanges of personnel, and the purchase of military equipment. Iran paid over \$12 million for Israeli-produced military equipment during the first four months of 1975.

#### *Ties to the Arabs*

7. Egyptian President Sadat is the key to the Shah's attempt to stake out a larger role for Iran in the Middle East. The two leaders have consulted twice this year—in January and April—and their principal advisers, [less than 1 line not declassified] consult frequently. [less than 1 line not declassified]

8. The Shah uses his ties with Sadat to increase his acceptability to other Arab leaders. Sadat benefits from the Shah's political support, which has the outward appearance of furthering the political isolation of Israel. Sadat also hopes to use the Shah to influence US Middle Eastern policy.

9. Economic aid to Egypt is an important source of the Shah's influence in Cairo.<sup>2</sup> Sadat values Tehran's aid because it lessens somewhat his dependence on Moscow and the Arabs. The Shah, wishing to encourage this independence, has been generous. He responded immediately to urgent requests from Sadat for oil in November 1974—sending 600,000 tons—and for \$120 million in budgetary help in March 1975. In addition, Iran has provided some \$850 million in economic credits.

10. Iran also has promised \$150 million in economic credits to Syria. They will pave the way for an expanded dialogue between the two governments, but probably do not constitute any leverage on negotiating issues. Iranian-Syrian relations have been strained somewhat in recent months by Syrian criticism of the Iran–Iraq accord.

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<sup>2</sup> In telegram Secto 2016 to Tehran, May 27, Kissinger requested a firm commitment from Iran, prior to Ford's June meeting with Sadat, to join the United States and Saudi Arabia in meeting Egypt's urgent economic needs. (National Archives, RG 59, Central Foreign Policy Files, P840126–2133) Helms reported in telegram 5031 from Tehran, May 30, that the Shah agreed to provide Egypt with \$150 million in emergency aid. (Ibid., P840176–0226)



*The Shah's Attitude Toward a New War*

11. The Shah might be willing to use his influence in a low-keyed way with both sides, but probably only if there is a good chance it would encourage a settlement. He would want to avoid involvement in a failing effort, or in one that appeared to ally Iran with US Middle East policy. The Shah has traditionally tended to regard conflict between Israel and the Arabs as serving Iranian interests. It occupied the Arabs and gave Iran a freer hand to pursue its interests in the Persian Gulf. The Shah sought to sit on the fence, keeping his ties to Israel low-key in order to avoid antagonizing his Arab neighbors and to minimize protests from those Iranians who favored a strong pro-Arab stance by Tehran.

12. The Shah now appears to regard a settlement as generally serving Iran's interest, although a new oil embargo would ensure continued high revenues for a non-participating Iran. The more direct involvement of Saudi Arabia and the other Gulf states in the Arab-Israeli question and the almost certain use of oil as a weapon in any new war would make it much more difficult for Iran again to stay on the fence, as is its preference.

13. In addition, the conflict has encouraged the development of radical Palestinian organizations, the strengthening of Arab unity, and increased Soviet penetration of the region—all, the Shah believes, to the detriment of long-range Iranian goals.

14. A settlement, on the other hand, especially if achieved with Iranian help, would promote the Shah's regional goals and at the same time preserve his ties with Israel against the day when Iranian ambitions clash more directly with Arab nationalism.

*Limitations*

15. The Shah is more able and probably more willing to press Tel Aviv for concessions than the Arabs. Good relations with moderate Arab leaders are essential to his oil policy and to the kind of regional security system he is trying to construct in the Persian Gulf. Moreover, the Arabs are in a position to exert counterpressure on Iran. For example, Saudi Arabia could undermine the Shah's oil price policy, or could combine with Egypt and Iraq to stymie Iranian goals in the Gulf and press for removal of Iranian troops from Oman.

16. Tel Aviv, on the other hand, has little leverage with Tehran. In fact, as Iran's relations with the Arabs improve, Iran's Israeli connection becomes an increasing liability. Close ties to Israel would tend to vitiate Iranian efforts to command political developments in the Gulf by adding to existing Arab suspicions of Persian nationalism. At the same time, Israel is in no position to aid Tehran should the Shah become involved in conflict with a Gulf competitor such as Iraq. One

factor that will limit the Shah's willingness to be in the forefront pressuring Israel is his probable belief that the Israelis would win any new war.

17. Iran's basic position on the Arab-Israeli issue also militates against it pushing for substantive concessions from the Arabs. The Shah condemns Israeli occupation of Arab territory, calls for a return to the boundaries existing before the 1967 conflict, and does not accept the change in status of Jerusalem. His public support for this position has sharpened considerably in the past year, and he has stressed the theme that Israeli intransigence is the main impediment to a settlement. The Shah, therefore, would be most likely to apply pressure on Israel to alter its substantive position, while any pressure on the Arabs would probably be designed to deter the initiation of new hostilities, rather than to modify their principal demands. In return, the Arabs would probably demand that the Shah use his influence in Washington to secure greater pressure on Tel Aviv to make concessions.

### 132. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, June 2, 1975, 0826Z.

5088. Pass SecDef and Military Commands. Subj: P-3 Operations From Bandar Abbas. Ref: A. Tehran 8507 of 12/3/73, B. Tehran 4508.<sup>2</sup>

*Summary:* We believe it is timely to review P-3 operations from Bandar Abbas to assure continuing utility for USG and compliance with Country Team rules and GOI desires.<sup>3</sup> *End summary.*

1. During October war Shah granted permission for P-3 flights to stage out of Bandar Abbas in support of US Indian Ocean operations.

<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE—EXDIS (2). Secret; Exdis.

<sup>2</sup> For telegram 8507, see footnote 7, Document 46. Telegram 4508 is Document 123.

<sup>3</sup> Noyes sent a copy of this telegram to Robert Kubal, the officer in charge of Israeli affairs in DOD/ISA, under cover of a memorandum that reads: "Bob—am *very* glad to see this—let's keep careful track of action. JN" An unidentified note on the copy of the telegram reads: "1) This is Henry Precht's initiative—I discussed it with him during my visit. 2) State *thinks* they want to support this request. 3) Gary Sick & I believe we should go to SecDef with recommendation that we a) phase out *regular* flts but keep periodic flts b) *start* flts to Masirah c) consider occasional flts to Pakistan." (Washington National Records Center, OUSD Files: FRC 330-81-0223, Box 2, Folder P-3)

Subsequently (Ref A), GOI approved prolongation of flights with two conditions:

A. Cover story should be maintained that P-3s were present in Bandar Abbas to train Iranians on aircraft they would later acquire.

B. Bandar Abbas should not take shape as US base in Iran.

2. Since that time we have made no formal approach to GOI on this subject. Flights are currently continuing on average of 5–6 in and out missions per week. There are regularly one officer and three enlisted personnel at Bandar Abbas to support flights. Although these personnel are on 4–6 weeks' TDY, USN presence has been a continuous one. Although the Ambassador concurred in P-3 operations at time of approach to GOI, no request has ever been made to him for assignment of USN personnel at Bandar Abbas.

3. It is evident that GOI stipulations for use of Bandar Abbas have been overtaken by changed circumstances. Cover story is no longer appropriate as IIAF now has three of its own P-3s at Bandar Abbas. Long tenure of operation is giving it a permanent character that was not original GOI intent. For example, study on US involvement in Iran by OASD/PA&E/Repro of 22 January 1975 contains this statement in its listing of US facilities in Iran: P-3 aircraft operate from Bandar Abbas with an average frequency of two flights per week, or an occasional maximum of three flights daily when a target Naval Task Group operates in the area. One officer and two enlisted men are stationed at Bandar Abbas to support operations. They increase during peak periods to ten men. . . . During a briefing for the War College, a student asked us to comment on "our Indian Ocean operation at Bandar Abbas." It seems that P-3 flights are becoming common knowledge and assumed by many in DOD to be routine business. With Congressional interest focusing on Diego Garcia and Persian Gulf arms sales, it is plausible that State and DOD will face questions on P-3 operations. Our answers could prove embarrassing to GOI at time when it is asserting a strongly independent line on Persian Gulf security (Ref B).

4. Accordingly, we think that as a matter of some priority USG should review P-3 operation. Essentially two questions should be addressed: First, is intelligence product from these flights of sufficient importance to USG to justify political problems that may result from public exposure? Second, if answer is positive, could our intelligence objectives be achieved without presence of USN personnel at Bandar Abbas and with less frequent, more sporadic flights? Occasional P-3 visits would preserve an air of normalcy which would be useful if, for high priority targets or crisis situation, we wished to expand frequency of missions on short notice.

5. Should review indicate that continuing assignment of USN personnel at Bandar Abbas is desirable an anticipated duration of stay

should be submitted to Ambassador for his approval. Request should also outline suggested command lines to include responsibility to Ambassador through Chief, ARMISH/MAAG, as the senior DOD representative in Iran.

6. Our final step would be approach to GOI if that seems appropriate in terms of findings of review of P-3 operations and probability of public exposure. If operations are to be maintained at present levels, we should consult with GOI on public line we would take if asked by Congress or press.<sup>4</sup>

**Helms**

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<sup>4</sup> On July 8, Ellsworth sent a memorandum on Schlesinger's behalf to the Director of the Joint Staff, requesting that P-3 operations from Bandar Abbas be reviewed with a view to reducing the number of flights to ensure that the base "does not take on the character of a permanent U.S. operating facility." (Ibid., OASD Files: FRC 330-78-0038, Box 18, Iran 334-400.13, 1975) In a memorandum to Schlesinger, August 8, Ellsworth reported that the JCS and Navy had determined that support personnel at Bandar Abbas could be eliminated and P-3 flights reduced from 16-18 to 6-8 a month except when major U.S. naval units were in the area. (Ibid.)

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**133. Memorandum From Robert Hormats and Robert Oakley of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, June 6, 1975.

SUBJECT

Iranian Oil Deal

We want to share with you several concerns about proposals for a special oil deal with Iran which we understand Under Secretary Robinson may be discussing with Ansary on June 11.<sup>2</sup>

Indexation and guaranteed prices are highly inflammatory issues within the US government, with the Congress, and in the domestic and

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (4). Secret; Nodis. Sent for information. A note on the memorandum indicates that Kissinger saw it.

<sup>2</sup> Robinson reported on the substance of his meeting with Ansary in telegram 15112 from USOECD Paris, June 11. (National Archives, RG 59, Central Foreign Policy Files, P850061-1762)

international economic community. While we understand that all the details of the Iran scheme are yet to be worked out, any proposal which would involve a purchase of Iranian oil at a fixed price which would increase in some direct relationship to inflation would (a) be considered a precedent for indexation of oil in general, and of other raw materials, and therefore opposed by those who dislike this concept; (b) be objectionable to those who still (optimistically) believe that the oil price will fall; they will argue that we are locking ourselves into a commitment to purchase oil at fixed or higher prices even though the market will bring the price down; (c) involve committing either the companies (if they are the primary purchasers) or the government (if it is the primary purchaser) to purchase oil at non-market prices; if the world price is *above* the “indexed” price, the companies would gain the profit, unless of course they paid the difference to the USG; if the world price *fell below* the indexed price, the government would either have to subsidize the producers directly or subsidize the companies in order to enable them to purchase Iranian oil at the indexed price.

Aside from the fixed price and indexation problems, there are other complications. A long-term commitment to purchase 500,000 bpd (above the roughly 390,000 bpd which the companies presently import from Iran) would require the companies to make purchasing adjustments away from some countries and in favor of Iran. How would the US government get the companies to do this? What would be the reaction of the other countries (e.g., Saudi Arabia, Nigeria, Venezuela)? How would we allocate among competing companies? We could, of course, have a system of bidding for import licenses to import the 500,000 barrels of Iranian oil, but this would be a new dimension in our oil import program; it would require significant (although certainly manageable) modifications.

With respect to the financing, the idea of the companies purchasing medium-term notes, which would bear no interest in the first year and be used to purchase American equipment, sounds attractive. However, Iran already imports several billion dollars worth of goods from the US; it could use the funds in these Treasury notes for purchases which might have been made in any case. Thus, there might be no additional exports accruing to the US as the result of the scheme. In addition, we do not currently have any Treasury notes which do not bear interest, so that a new type of issue would be necessary. Any consideration of issuance of “indexed” notes, useable after the first year, would involve an enormous departure from present US financial practices.

It seems almost certain that some of the several complications discussed above will require new legislation from Congress. This would provide a forum for all varieties of critics, including those who have an

axe to grind against the Shah or you for reasons unrelated to the proposed oil deal.

*In summary*, while we are sympathetic with the objectives of shifting US sourcing to a reliable supplier such as Iran, and of attempting to get a discount through Iranian purchases of notes which would bear no interest for the first year, such a plan runs up against enormous obstacles. Essentially, USG control over the energy industry on such issues as imports is extremely small, and the oil market is highly uncertain, so that a purchase scheme of this sort would be impracticable. The financing side would require major departures.

For 500,000 barrels of oil per day out of our total consumption of roughly 18,000,000 bpd you are, in short, running a major policy and personal risk by advancing this proposal. The profound changes called for in the way the US does business and conducts its financial relations holds virtually no hope that the plan could succeed and will expose you to the worst sort of criticism.

The easiest way to acquire Iranian oil at a discount is simply for the Iranians to use the receipts from oil sales to the US to purchase Treasury notes and forego the interest rate on those notes or put the interest into a special fund or charity under the control of either the USG or a private Iranian-US foundation. This would avoid all of the difficulties noted above.

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### 134. Memorandum of Conversation<sup>1</sup>

Washington, June 16, 1975, 10:25–10:50 a.m.

#### PARTICIPANTS

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for  
National Security Affairs  
Alan Greenspan, Chairman, Council of Economic Advisers  
Charles W. Robinson, Under Secretary of State for Economic Affairs  
Lt. Gen. Brent Scowcroft, Deputy Assistant to the President for National Security  
Affairs

#### SUBJECT

Bilateral Oil Agreement with Iran

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 12. Secret; Nodis. The meeting was held in the Secretary's office at the White House. All brackets are in the original.

Kissinger: The President wanted me to discuss something we have been discussing with Iran. This is for you only and is highly sensitive.

When I saw the Shah in March, he complained his liftings were falling and he had 500,000 barrels a day excess.<sup>2</sup> I said that under specific conditions we might take it off their hands. Chuck [Robinson] has discussed it further with them and they have now gone up to 700,000 barrels a day. They would sell to us for Treasury notes with a forgiveness period. The notes could be redeemed for the purchase of American goods.<sup>3</sup>

I am interested in this idea because, number one, it breaks the OPEC front because it shifts the surplus.

Greenspan: It would have to be at Saudi expense, and they wouldn't like it. How long would it be for?

Kissinger: It's up to us. Second, it would make it harder to raise the prices. Third, it's insurance against another embargo. Fourth, it puts pressure on the suppliers.

There are two possible schemes. The first one is that we pay the market price for oil. The other is to sell at current prices plus an adjustment tied to the wholesale price index.

Greenspan: That breaks the OPEC price structure.

Kissinger: If they give us a forgiveness feature, one year gives us \$1 dollar discount.

Greenspan: If we could keep Iran at full production it puts severe pressure on the Saudis. We would want to insure that Iran would not cut back elsewhere.

Robinson: They could but that obviously is not their scheme. They want to keep their revenue up.

The basic scheme is a barter. If they contract way out for oil, they need the assurance that the price will go up in line with other goods they would buy. By either scheme—the OPEC price, or the current price plus the wholesale price index (so long as it didn't go above OPEC). We would give them Treasury notes without interest for the first year and that are non-negotiable for the first year. So for the first year we would have \$2 billion in our hands.

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<sup>2</sup> Kissinger apparently misspoke; he is referring to the meeting with the Shah on May 16. See Document 127.

<sup>3</sup> In a memorandum to Kissinger, June 13, Robinson reported the Shah's willingness to consider non-negotiable Treasury notes without interest for the first year, as an extra discount off the OPEC official price, but also his insistence that this be kept confidential by handling it in a side letter. (National Archives, RG, 59, Records of Henry Kissinger, 1973–1977, Lot 91D414, Box 15) A memorandum of a longer discussion of the bilateral oil deal among Kissinger, Sisco, Robinson, and Enders, June 14, is in the Library of Congress, Manuscript Division, Kissinger Papers, Box CL–152, Iran, Chronological File, 1 June–31 July 1975.

This will take imagination and a change in how we operate.

Greenspan: So in effect you have \$2 billion in escrow. So if they broke the deal or entered an embargo, we have the \$2 billion.

Robinson: We get a discount. We will have to establish a specific arrangement, which can go far to break OPEC.

Greenspan: When this gets out . . . the only real issue is price. It would be crucial that the price not escalate beyond the OPEC price.

Robinson: I think I got that, but I haven't nailed that down yet.

Greenspan: It seems obvious that if you look at 1978 at these prices, the Saudis are the only ones who will not be a net borrower. The others are committing funds at such a rate. The 700,000 barrels by itself won't do it. But as a symbol . . . The Saudi reaction will be important.

Kissinger: Will the companies give us trouble because the Saudis will be upset?

Greenspan: The idea properly packaged seems very attractive. Let me think about it. An essential ingredient is not to let the price go above the OPEC price. I will think on the negative elements, but I am intrigued.

Robinson: There are two alternatives: a government purchase to be auctioned off, or we could buy it for the Navy reserve and so on.

Greenspan: We can buy it for the stockpile. We are talking about a \$1 billion stockpile, but we don't have the Salt Dome capacity. Maybe you can solve the company problem by having them take the oil.

The notes would have to be non-negotiable. Have you looked at the different interest rates?

Robinson: It is about \$1 a barrel at the current interest rates. I am thinking of a five-year maturity with no interest if they don't use it for equipment.

Kissinger: Another option is to lower the interest rate and have no forgiveness. How will it look to our IEA partners? It really helps them.

Robinson: But we must be careful how we do it.

Greenspan: It will have a devastating impact on OPEC. So you want the maximum apparent price concession.

Robinson: Iran insists that the non-negotiable aspect be covered by a side letter, as well as the price not going above OPEC.

Kissinger: I know we would like the greatest apparent price differential . . . the side letters will look . . . the Saudis will be very upset.

Greenspan: If you then have the same deal with the Saudis, I would not favor it. Because then OPEC becomes Saudi.

Kissinger: That is a separate issue. Let the Saudis worry about that.

Robinson: It would be politically difficult to say we do it with Iran but won't for the Saudis.



Greenspan: Let me think it through. The critical thing is what happens in 1980, with Iran and with or without the Saudis. We may need a total strategy before we move.<sup>4</sup>

Kissinger: I think we should pick up what we can and develop a total strategy after Iran is signed up.<sup>5</sup>

[The meeting ended]

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<sup>4</sup> Scowcroft sent Kissinger a “think piece” by Greenspan on the Iranian oil deal in backchannel message Tohak 10, June 18. (Ibid.) In a discussion with Kissinger, Greenspan, and Robinson on June 23, Zarb warned that the deal could lead to a government purchasing authority, or even a nationalized oil industry. Greenspan added that the Saudis had the production flexibility to preserve the cartel. Kissinger replied that the plan would not break OPEC decisively; it was “just a nibble” to gain leverage with the oil producers. Regardless, Zarb believed that they should proceed with the deal, and Kissinger and Robinson added that, if they did so, the price that the United States paid to Iran could not “ever exceed the OPEC price.” As Kissinger observed later, both the administration and the Shah were reluctant to go through Congress. (National Archives, RG 59, Records of Henry Kissinger, 1973–1977, Lot 91D414, Box 15)

<sup>5</sup> Telegram 148283 to Tehran, June 24, transmitted a message from Kissinger to the Shah asking him to receive Robinson on June 30 to discuss the deal further. (Ibid., Central Foreign Policy Files, P840178–1979) On July 5, Kissinger explained the details of the 5-year deal to Ford, noting: “Zarb and Greenspan are afraid that if DOD buys the oil, it would lead to a government purchasing agency. Greenspan is worried about whether you should give the Saudis the same deal.” He added: “I would give them the same deal for the same amount but ask for a better deal if they want more. I would wait to see if the Saudis came to us. This would end the charges of cuddling the Shah and the money would be spent only in the United States.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 12)

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### 135. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, June 19, 1975, 1255Z.

5850. CINCPAC for POLAD. Subj: Comments on Iran NIE. Ref: State 112142.<sup>2</sup>

1. Unfortunately, as often happens with summaries of lengthy documents, précis of NIE on Iran (reftel) is in our view misleading in its

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750214–0179. Secret. Repeated to Ankara, Bonn, Cairo, Canberra, Islamabad, Jidda, Kabul, London, Manama, Moscow, Muscat, New Delhi, Ottawa, Paris, Tel Aviv, Tokyo, and CINCPAC.

<sup>2</sup> Telegram 112142 to Tehran, May 20, provided the précis of NIE 34–1–75. (Ibid., D750170–0902) The NIE is Document 121.

starkness and gives rather alarmist portrayal of Iranian political situation. Full text of NIE has now been received, and we find it more balanced presentation than suggested by *précis*. While we agree with most of its basic conclusions, some points are overstated and document is occasionally inconsistent. Comments on specific topics follow.

2. Opposition: Statement that opposition is increasingly repressed (*précis*, Section A) contrasts with NIE's conclusion that many Iranians (i.e. administrators, middle class professionals and bulk of urban middle class) are essentially passive in their view of regime and satisfied to maximize their economic benefits while "playing the game" (para 15). Shah still plays central role and brooks no direct opposition to his policies, but Embassy made point in its A-71 of April 11, 1975<sup>3</sup> that Shah and his immediate entourage do not control all day-to-day decisions in today's Iran so long as those decisions are made within policy guidelines Shah has established. NIE's conclusion that oppositionists' desires to share political power today are more troublesome than during Mossadegh era (para 17) is incorrect if it refers to organized political activity and dissent because control from the top has become more effective. Students, for example, do not pose danger to regime today which they did in 1961–63 period. Neither do vast bulk of professional and middle class who are busy making a good living. Peasants and farmers are not and have not been a factor.

3. On other hand, NIE is correct in noting increase in acts of terrorism (para 18). Opposition is negative and wants to destroy existing power structure—it is devoid of alternative strategies for political and economic development. Beginning in 1962, the Shah adopted nationalist proposals for reform, added his own programs, and forged them into the twelve point Shah–People Revolution (A-31 of February 24, 1975).<sup>4</sup> He has ambitious plans to provide more benefits for welfare of Iranian public (A-28 of February 20, 1975).<sup>5</sup> But Shah has thus far failed to foster effective political participation. One of his reasons for creation of the Resurgence Party was to stimulate broader participation on grounds that former multi-party system resulted in waste of effort without achieving this participation, but it remains to be seen how effective Resurgence Party will be in bringing forth creative energies of its vast membership. We agree with statement in Air Force representative's footnote to para 20 that problems in modernization program should not all be interpreted as danger signs for regime. Estimate

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<sup>3</sup> The airgram is entitled "The Recent Evolution of Power in Iran." (National Archives, RG 59, Central Foreign Policy Files, P750065–2420)

<sup>4</sup> The airgram is entitled "The Shah–People Revolution." (Ibid., P750041–0390)

<sup>5</sup> The airgram is entitled "Movement Toward a Welfare State." (Ibid., P750039–0303)

overstates the significance and extent of dissent in Iran and prejudices Shah's capacity to effect successful reforms.

4. Limitations on Bureaucratic and Government Effectiveness: Administrative ineffectiveness and corruption of many government ministries is still fact of life in Tehran. However, there have evolved such effective economic institutions as Central Bank, NIOC, National Iranian Petro-Chemical Company, Plan and Budget Organization, and Ministry of Economic Affairs and Finance. Provided military remains unified behind leader who takes reins after Shah leaves scene, these organizations and multiple middle class vested interests could provide stability for future and would have political as well as economic benefits.

5. Constraints on Economic Development: NIE is correct in citing limitations on economic growth, but we do not see any shortages today which could cause "significant economic and political problems" (para 29). In short run, shortages of skilled labor can be filled by importing people, but eventually Iran must train its own technicians. Port and transportation bottlenecks can be partially alleviated by projects such as jetty construction by South Koreans now underway in Khorramshahr. However, leveling off or decline of oil revenues would inhibit capacity of GOI to solve above development problems by large infusions of money.

6. Nuclear Weapons: Précis is too dramatic in predicting Shah will attempt to acquire nuclear weapon technology. This distorts main thrust of his policy which is to acquire nationwide nuclear energy network. Obvious by-product would be potential to develop nuclear weapons capability and it could be one he would opt for if area nuclear arms race got underway. It would, of course, depend on whether needed foreign technical assistance would be available.

7. Persian Gulf: Embassy does not see Shah needing to risk confrontation with "Arabs, West, or Soviet Union" to continue to play major role in Gulf (para 51). In recent years he has achieved much in co-operating with Arab states in OPEC and improving bilateral relations with Gulf states, including negotiation of median line agreements in the Gulf. Concept of non-aggression pact and security agreement in Gulf is receiving increasing support from littoral states with Iran and Iraq actively taking soundings in other Gulf states. Issue of unilateral deployment of forces to forestall establishment of radical regime in Gulf area is probably unlikely. Shah is aware of damage this would do to his cooperative image in Gulf area as well as practical limits to such a venture if opposed by other area states. (He would, of course, be prepared to consider rendering assistance if requested as in case of Dhofar rebellion.) Although Shah has stated Iran's ultimate objective as expulsion of foreign power influence from Persian Gulf and Indian Ocean,

these steps could take place only after littoral states had built up their own power and provided for their own security. Although Shah has said he wants to see US forces leave Bahrain, he has linked this to Soviet pull-out from Umm Qasr in Iraq which he knows is unlikely. In view of his need for American technical assistance in building up blue water navy and his realization that it will be years before Iranian and other littoral navies could begin to balance Soviet presence, we doubt Shah would press for U.S. withdrawal from Bahrain any time soon.

8. Oil for Israel: Précis' comment that Iran is becoming less likely to supply Israel with oil in event of resumed hostilities contrasts with more cautious conclusions in body of report that "we cannot be confident" Iran would continue such supply. Although recent public statements by Shah and others have taken on a more pro-Arab and anti-Israel flavor, Iran still finds [*1½ lines not declassified*].

9. Divergence of Interest: Précis notes "increasing number of areas" where Shah's interests diverge from ours. Reading the report we note only three: oil prices, Persian Gulf, and Congressional limitations on atomic energy assistance. On other hand, there are many areas in which our interests continue to coincide and in which cooperation is likely to remain effective.

10. Future Attitudes Toward U.S.: We believe paragraph J of précis may be too optimistic. If "more extreme regime" replaced that of Shah, Embassy believes US could not take it for granted that cooperative relationship would continue. Increased xenophobia caused by large influx of foreign technicians, particularly US, and traditional Iranian fear of being dominated by foreigners who make themselves essential to GOI might cause reaction against that close relationship. Result could be cancelling of some arms deals, further diversification of purchases, limits on numbers of Americans working here, and curtailment of some intelligence-gathering facilities.

**Helms**

**136. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, June 20, 1975, 1756Z.

WH51063. Coincidental with your message,<sup>2</sup> I received a call from Ambassador Zahedi on the matter of co-production.<sup>3</sup> Following the Shah's visit, both State and Defense did raise the co-production issue with Hughes, as you note in para 2 of your message. Naas also reviewed the matter at length on June 17 with Hughes representatives. It is my understanding that Hughes is fully aware of the Shah's concerns as expressed to us, including the royalty issue, and of the interest of the United States Government in seeing Hughes and Iran reach a mutually satisfactory agreement. The company is studying these views very carefully, and is also aware of the considerable potential for future business which it believes it has with Iran if it can conclude the co-production deals successfully. In this light, the company is apparently considering making a new presentation to the Shah on its co-production proposal and should be in touch with the GOI within a few weeks. Whether or not and how much it can reduce the front-end royalty payments in any new proposal we do not know. This is up to Hughes. There are obviously limits beyond which we cannot properly or profitably go in dealing with private firms on matters of this sort. I believe that we have done all that we properly can, that Hughes has the message very clearly and will presumably respond soon directly to the Iranians.

I took this general line with Zahedi and you may do so, if you wish, with your contacts there. We do need to try to stem an apparent predisposition to believe that the Executive branch has the power to intervene or can otherwise be held accountable for normal legitimate business relationships with US firms, including the negotiation, conclusion and the successful implementation of contracts. We have an obli-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 6/75. Secret; Sensitive. Sent with the instruction to deliver at opening of business.

<sup>2</sup> In backchannel message 150, June 18, Helms reported on two ongoing issues that the Shah repeatedly raised with American officials: the price of U.S. military equipment and the royalty charge that the Hughes Aircraft Corporation planned to apply for TOW and Maverick co-production. (Ibid., Incoming 6/75) On June 20, Oakley advised Scowcroft of Noyes's report that Lieutenant General Fish had explained the Shah's concerns to Hughes, which planned to show Fish a new proposal for submission to the Shah. (Ibid., Presidential Country Files for Middle East and South Asia, Box 13, Iran (4))

<sup>3</sup> Zahedi recounted this call and other steps he had taken in pursuit of the co-production matter in a June 24 letter to President Ford. (Ibid.)

gation and a desire to be helpful, as we have with Hughes, but we need always to make clear the very tight restrictions upon the actions of the Executive branch in such matters. If not, we may be faced with escalating demands for intervention as the involvement of US private business increases.

Warm regards.

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**137. Memorandum From the Under Secretary of State for  
Economic Affairs (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, July 3, 1975.

SUBJECT

Problems in Launching U.S.–Iran Technical Cooperation

Four sets of problems have been delaying or reducing the program of technical cooperation outlined by the U.S.–Iran Joint Commission last March.<sup>2</sup> We clarified the issues during my visit to Tehran on Monday,<sup>3</sup> and we are moving here and in Tehran to resolve them and get the program underway.

1. The Government of Iran is going through a budget-cutting exercise which has delayed all decisions to spend public funds on foreign technical services and on most capital projects. This has already led to a sharp reduction in our planned agricultural technical cooperation projects and a shift in that ministry toward preference for hiring individual U.S. technicians rather than U.S.-led teams. It evidently is causing other ministries to take a harder look at the estimated budgets proposed by U.S. departments and agencies in their pending Iran program agreements.

This scaling back on plans reflects the reduction in Iran's projected oil revenues and belated recognition that many large project commitments have been made without adequate budgetary control. A very large capital development and long-term technical development program is likely to be cleared by the budget exercise. It is fortunate that the GOI is reviewing these programs and setting priorities before,

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological Files, 1 June–31 July 1975. Limited Official Use.

<sup>2</sup> See Document 108.

<sup>3</sup> June 30.

rather than after, our technicians arrive in Iran. Our Embassy has been taking the correct position that we have no interest in pressing U.S. advice on the Iranians; if they decide on a smaller influx of U.S. technicians than the very ambitious one (involving about 400 U.S. technicians plus their families in Iran) originally planned, this is fine with us. All we have asked is early decisions.

2. The insistence of our departments and agencies on collecting full reimbursement from GOI agencies for all their costs in providing technical assistance to Iran has caused some Iranian grumbling and delays in both long-term technical programs and cooperation on capital project planning. This problem has been compounded by half-informed discussion among senior officials.

We have worked out arrangements to relieve some of the sources of contention in this field. AID will provide international travel funds for domestic U.S. agencies during the planning and negotiating phases of developing long-term technical cooperation projects. If State gets the amount of travel funds requested for Joint Commission work, we can issue invitational travel orders for U.S. technicians assisting the GOI on capital project planning.

GOI agencies have accepted the necessity of paying for some USG overhead costs of managing technical cooperation projects, but they are likely to continue questioning some of the details during the negotiation of agency-to-agency agreements.

Finance Minister Ansary and his chief deputy, Mehran, are opposed to paying any costs of short-term USG advice to GOI agencies in the development of plans for capital projects. They argue that these projects are likely to lead to major U.S. exports and consequently the USG should treat its short-term project-development technical assistance as an export-promotion expense. In fact, we have not billed the GOI for any such costs. The Under Secretaries Committee will consider shortly a paper we are developing, which is likely to propose a broadening of U.S. export-promotion authority and funds, perhaps concentrated in the Commerce Department budget, in order to offer project-development services without raising the issue of reimbursement.

3. Housing of U.S. technicians assigned to Joint Commission projects in Iran has proved to be a bigger problem than expected. Rental prices have risen 250 percent in less than a year, and landlords are demanding as much as a year's advance payment.<sup>4</sup> Most furnishings must be imported, with delays of six months reported. The

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<sup>4</sup> The spike in housing prices was one of several targets of the Shah's anti-profiteering drive of August 1975; see Document 141.

Iranian agencies are accustomed to giving foreign technicians cash housing allowances, but in order to cover fully the cost of housing today these allowances would have to be much higher than the U.S. Embassy is allowed to give its staff. To avoid this disparate treatment of two classes of U.S. Government personnel in Iran, we proposed that the GOI provide the housing, rather than cash allowances, believing it could negotiate better terms and avoid large advance payment demands. The GOI rejected this solution.

In our meetings in Tehran last Monday we developed a promising compromise which will be presented shortly to all the ministries. It will require the U.S. Embassy to lease blocks of housing and handle long-term assignments and maintenance, using lump-sum fund advances to be provided by each GOI agency to each USG agency. Short-term housing will be in hotel space leased by GOI agencies.

4. Other administrative problems, such as local transportation and interpreter services, personal allowances, schooling of dependent children, etc., have complicated negotiation of agency-to-agency agreements. Minister Ansary has agreed to support our proposal to each agency of a standard text setting forth all these administrative obligations.

In summary, the delays occasioned by the GOI budget reappraisal have coincided with delays due to U.S. administrative requirements. By the time the former are resolved, we expect to have removed the administrative obstacles, so that a somewhat scaled-down Joint Commission technical cooperation program can get under way.

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**138. Memorandum From the Assistant Secretary of Defense for International Security Affairs (Ellsworth) to Secretary of Defense Schlesinger<sup>1</sup>**

Washington, July 25, 1975.

SUBJECT

Iran

Under the impact of the 1972 so-called “Kissinger Policy” with regard to Iran—i.e., a policy calling for a relatively wide-open attitude to

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Schlesinger Papers, Box 22, James R. Schlesinger—Action Memos, August, 1975. Secret; Sensitive.



Iranian requests for US weapons systems, US training, US defense support of Iranian infrastructure systems planning and construction<sup>2</sup>—the overall US–Iran relationship seems to me to have gotten out of balance. This overall imbalance has been exacerbated by Iran’s leadership role in OPEC’s unilateral imposition of the extortionate oil price increases in 1973–74.

A comprehensive look at DOD activities in Iran reveals that DOD is doing much more for Iran than Iran is doing for us, even when the long run is taken into account, and even when Iranian payments are weighed in the assessment. When the national and international security impact of current oil prices is taken into account, it is even more disadvantageous to the US and the DOD.

As shown in the enclosed working paper<sup>3</sup> in some detail, we are providing Iran with some of the most modern aircraft and air munitions in the world, in sufficient numbers to provide overwhelming area superiority; with large numbers of modern helicopters for unequaled strategic mobility; with the most effective air defense missile systems; with open ocean naval capability in the form of destroyers, patrol boats, submarines, torpedoes, and modern anti-ship missiles; with a comprehensive advanced air defense system; with a telecommunications system second to none in the world; with a comprehensive air force logistics system; with artillery; with ammunition; and with over 1,000 military personnel providing technical training and support for the Iranian armed forces.

The Iranians, on the other hand, permit some DOD activities in Iran which support unilateral US objectives and interests: a solar observation facility, an atomic energy detection system, some intelligence installations, temporary P–3C surveillance operations, an Armed Forces Radio and Television Service operation, Embassy guards, and a Defense Attaché’s Office. There are also some DOD activities in Iran which support combined DOD–Iran objectives, such as the HITVAL program, an Army communications signal facility, US overflight rights, a small US Military Group working with the Iranian J–2, a Defense Mapping Agency Liaison Office, and support for USAF tactical fighters during CENTO exercises.

My assessment that this relationship is unbalanced, while strongly felt, is largely intuitive. I put it forward as a conjecture, and recommend

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<sup>2</sup> See *Foreign Relations, 1969–1976*, volume E–4, Documents on Iran and Iraq, 1969–1972, Documents 205 and 214.

<sup>3</sup> The attached working paper, not printed, consists of three tabs examining Department of Defense activities: those that supported Iranian interests; those that supported combined Defense and Iranian objectives; and those that supported unilateral U.S. objectives.

that you ask, or authorize me to ask, Andy Marshall to submit my conjecture to rigorous analysis for the purpose of refuting or confirming it. It could have substantial implications for US policy in the near term as well as further down the line.<sup>4</sup>

Robert Ellsworth

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<sup>4</sup> Schlesinger checked his approval on August 6.

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### 139. Telegram From the Department of State to Secretary of State Kissinger<sup>1</sup>

Washington, August 2, 1975, 1951Z.

Tosec 80313/183077. Subject: Proposed Assignment of Defense Representative to Tehran. For the Secretary from Ingersoll, Maw and Eagleburger.

1. *Summary.* You will recall discussion here two weeks ago with Dick Helms on DOD proposal to establish new top management position in Tehran, to be called U.S. Defense representative, Iran (DefRep-Iran).<sup>2</sup> Your initial reaction to this proposal was negative.<sup>3</sup> After a long discussion with senior Pentagon officials and with Department's Deputy Inspector General for Foreign Assistance, we believe the case merits your reconsideration.<sup>4</sup> We are persuaded that mushrooming De-

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran, Chronological Files, 1 August–26 September, 1975. Secret; Immediate; Nodis. Kissinger accompanied President Ford to Europe July 26–August 4.

<sup>2</sup> Helms was in Washington July 15–19 to testify before the Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities, known as the Church Committee after its chairman, Senator Frank Church. The committee was investigating covert assassination attempts against foreign leaders and domestic spying conducted by the Central Intelligence Agency under Helms's tenure as Director of Central Intelligence. The discussion of Iran has not been found.

<sup>3</sup> Kissinger initially opposed the proposal for a civilian Defense representative in backchannel message 3648 to Tehran, July 15. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 7/75)

<sup>4</sup> In telegram Tosec 80306/183065, August 2, Eagleburger explained to Kissinger that there was a "major scandal brewing" among U.S. Defense representatives, military contractors, and the Iranian Government: "Management of our FMS program and other military sales programs in Iran is, at best, a mess. At worst, there are major illegalities." He assured Kissinger that the Department of State could reach agreeable terms of reference for the position with Defense. (Ibid.)

fense programs in Iran are not under control and have potential for becoming major Congressional and foreign policy headache, and that Helms needs top management assistance to avoid this. Approval of DOD proposal would put us in position to say to Congress that Executive branch had recognized problem and was already taking steps on its own to deal with it. We believe Shah would welcome this move, but we would of course have Helms discuss it with him before moving ahead. We will want to discuss this with you, as will Schlesinger when you return. Purpose of this message is to give you a chance to reflect on proposal in advance. *End summary.*

2. At DOD request, General Counsel Marty Hoffman and DSAA Chief General Fish met at Department July 30 with the Acting Secretary and several other Department officers including Maw, Eagleburger, Atherton, Vest, Leigh and Constandy (Deputy IG of Foreign Assistance). They laid out in greater detail than we had heard before the problems of managing the DOD operation in Iran and the reasons why they want to assign a super manager to Tehran. The principal problems are (A) the tremendous expansion of FMS programs in Iran, now totaling over \$9 billion in orders with over \$7 billion on delivery; (B) proliferation of DOD units in Iran, now including about 25 operational entities (e.g., Gendarmerie Advisory Mission, various intelligence detachments, Armed Forces Radio/Television, Defense Mapping Agency, USAF Weather Wing, etc.), which do not fall under command of the major unit, ARMISH-MAAG; (C) division of ARMISH-MAAG itself along service lines with resulting difficulties of competition and gaps in coordination; (D) increased need to monitor activities of private U.S. defense suppliers who are crowding in on Tehran in search of contracts; (E) emerging evidence that some major U.S. defense suppliers have paid unapproved agent fees;<sup>5</sup> (F) increasing Congressional concern over the expansion of our arms sales to Iran, with prospects of further efforts at Congressional oversight.

3. Constandy recently headed a small, informal security assistance inspection team to Iran. He came up with indications of slack management and possible outright irregularities pointing to current need for full-fledged formal inspection. We have agreed that such inspection should be undertaken without delay and will be getting in touch with Helms as a first step. Meanwhile, Constandy has independently come to conclusion that there needs to be tighter top DOD management in Tehran along lines of current DOD proposal.

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<sup>5</sup> The Iranian Government had prohibited the use of agents appointed by military contractors to secure government contracts in exchange for fees, thereby raising the cost of arms purchases. The rules were clarified in telegram 4807 from Tehran, May 21. (National Archives, RG 59, Central Foreign Policy Files, D750180-0923)

4. Although theoretically the senior DOD rep now in Iran (Chief of ARMISH-MAAG) could be given such greater responsibilities as Pentagon now proposes for new DefRepIran, Pentagon maintains that two-star rank is not enough. One possibility would be to go to Congress for authorization to assign a three-star General. Pentagon argues that it is strongly preferable, in current situation, to assign a senior civilian as DefRepIran to insure stronger civilian control and overcome inter-service rivalries. Individual the Pentagon has in mind is Eric Von Marbod, current Principal Deputy Assistant Secretary of Defense (Controller). As you may recall, he played effective coordinating role in our security assistance program to Vietnam. Several of us in Department are acquainted with Von Marbod and have very high regard for him. Assuming DefRepIran is assigned, proposal is that Chief of ARMISH-MAAG, a USAF Major General, will be designated as his deputy. Current Chief of ARMISH-MAAG is scheduled to depart in near future and his replacement would arrive to take his place under the new management system if DefRepIran position is established soon. Von Marbod has worked well in past in Country Team situations.

5. Terms of Reference. DefRepIran would be member of the Country Team under the direction of, and reporting to, the Ambassador. His principal mission would be to supervise and coordinate all DOD activities in Iran (excluding Defense Attaché and Marine guards which remain under direct Embassy supervision). He would be responsible for formulating, coordinating and presenting DOD positions in Iran within framework of overall USG policy, and monitoring security assistance activities. He would report to Sec Def through CINCEUR, CJCS and ISA/DSAA in accordance with established guidelines, under overall local direction of the Ambassador and keeping the Ambassador fully informed of all aspects of his work. DefRepIran would be authorized an additional staff of up to eight military and civilian personnel, but major staff and legal support would be provided by ARMISH-MAAG.

6. We are acutely sensitive to risks of creating new two-headed (civilian plus military) monster over our Defense activities in Iran. Dick Helms expressed concern that establishment of new top Defense position could tend to undermine his own position as the President's representative and the single U.S. official in charge of all our activities in Iran.<sup>6</sup> The Pentagon knows of this concern and has taken pains to emphasize that DefRepIran would be member of the Ambassador's team and serve under his policy guidance and supervision. (He would be

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<sup>6</sup> Helms expressed this concern to Scowcroft in backchannel message 169 from Tehran, July 13. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 7/75)

provided with explicit written instructions on this point, subject to State's review and approval.) They maintain that having better top-level Defense management will enable the Ambassador to carry out more effectively his own role as the senior U.S. official in country. They have also emphasized that Von Marbod has proved his ability to work effectively with our Ambassadors abroad. (Phil Habib is a strong supporter of Von Marbod from his work in Southeast Asia.)

7. Schlesinger intends to call you after your return, to solicit your support for the DefRepIran proposal. We are told that DOD proposal also has support of General Brown.

8. If you agree, we would plan to get in touch with Helms and ask his own reconsideration and agreement to the DefRepIran proposal, based on the considerations outlined above. If he agrees, we will then wish him to check the idea out with the Shah before we move ahead any further.

9. This message is concurred in by Atherton, Vest and Leigh. Sisco is not in town and has not seen this message, but he has expressed support for the DefRepIran concept.<sup>7</sup>

**Ingersoll**

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<sup>7</sup> Telegram Secto 8126 from Belgrade, August 3, conveyed Kissinger's continued opposition to the proposal. (National Archives, RG 59, Central Foreign Policy Files, [no film number]) However, in telegram 198172 to Tehran, August 20, Eagleburger advised Helms that the Secretary had agreed with the Defense Department to establish a Defense Representative in Iran, fully responsible to the Ambassador, for one year. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran, Chronological Files, 1 August–26 September, 1975) Telegram 8361 from Tehran, August 27, notified Eagleburger that the Shah accepted the assignment of Von Marbod as the Defense Representative in Iran. (National Archives, RG 59, Central Foreign Policy Files, D750297-0067)

**140. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Ford<sup>1</sup>**

Washington, August 15, 1975.

**SUBJECT**

Iran Bilateral Oil Deal

We have now reached agreement with Iran on the essential elements of the bilateral oil deal (except for the interest moratorium period as discussed below), but subject to USG acceptance for which we will have to determine whether there is some existing authority.

The Shah has now indicated that if we are to proceed this must be finalized by August 23 (8 days from now), which is one month ahead of the OPEC meeting of September 24 to consider the October 1 oil price increase. The current status of our negotiations with further action required is discussed below:

1. The only major issue still unresolved is the question of the moratorium period; however, I believe that this can be compromised with some flexibility on our part regarding the higher level of oil deliveries which Iran desires during an initial period of the contract. We have agreed to an additional 250,000 b/d (or a total of 750,000 b/d) during an initial period from September 1, 1975 to February 29, 1976. This would produce a cumulative average of 500,000 b/d (the contract level) from an assumed starting date of June 1 which the Shah had requested. Ansary advised me confidentially that the Shah would like to extend this initial period of higher deliveries to December 31, 1976. Accordingly, I suggest that we propose an interest moratorium of 120 days if the initial period of increased deliveries terminates on February 29, 1976, or alternatively 150 days with the extension of this period to December 31, 1976.

2. With Congress out of session it is clear that our only hope is to find some existing authority for this deal as we cannot obtain new authority or an appropriation by August 23. From a limited and confidential review we had concluded that our only hope was through Treasury's right to issue notes combined with use of its Foreign Exchange Stabilization Fund to cover any financial risk exposure and the Defense Production Act to cover purchase and sale of oil. Accordingly, on August 12 we developed with Iran's Minister Ansary a set of proce-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 15, Iran (4). Secret; Nodis; Cherokee. Ford initialed the memorandum.

dures which might be implemented on this basis as reflected in the memorandum—Elements of Agreement—at Tab A.<sup>2</sup>

This document does not alter the basic terms which were concluded with the Shah and Ansary in Tehran on June 30;<sup>3</sup> however, it does reflect a new implementing procedure which would be as follows:

a. The U.S. Treasury issues a note on the first of each month for the value of the contracted oil deliveries for that month on receipt of bearer contracts from the Government of Iran for immediate oil delivery.

b. The Treasury sells the bearer contracts to U.S. private companies at auction prices or at cost to a U.S. stockpile or other USG programs.

c. Profits from (1) the difference between the contract price and the auction price and (2) the interest moratorium, are credited to the Foreign Exchange Stabilization Fund.

d. The Exchange Stabilization Fund covers any theoretical financial exposure, thereby avoiding congressional appropriation.

3. This is a highly technical matter which we have not yet discussed with Treasury lawyers; thus, we have no assurance that it will prove to be a viable plan. There is a risk that further study will prove our hopes to be unfounded; however, I believe that we should move forward promptly with the following steps:

a. Confirm with Ansary that we will make every effort to conclude this arrangement by the August 23 deadline but point out the possibility that we may not be able to obtain required authority by that date. At the same time we would propose the compromise on the interest moratorium period as discussed above.

b. I will talk to Bill Simon and set the stage for an immediate investigation of the Treasury's legal authority to make a commitment of this type. It is critical that Treasury and State lawyers cooperate and try to make the deal *work*, which is essential for success.

c. Assuming we are sufficiently encouraged regarding the possibility of concluding this arrangement by the August 23 deadline, we will send to Tehran by next Tuesday (August 19) State and Treasury legal representatives for final drafting of the agreement.

d. Even if we determine that the USG has existing authority, we should consult with certain key Members of Congress prior to committing to this Agreement.

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<sup>2</sup> Dated August 12; attached but not printed.

<sup>3</sup> A copy of the draft oil agreement agreed to by Robinson and Ansary on June 30 was transmitted in telegram 6280 from Tehran, July 1. (National Archives, RG 59, Central Foreign Policy Files, P840178–2008) U.S.-Iranian talks continued in Paris, and Robinson sent further refinements of the agreement to the Secretary in telegrams Tosec 80325/183102, August 3, and 20866 from Paris, August 13. (Both *ibid.*, N750003–0136 and P840083–0905) On August 13, Kissinger spoke to Robinson by telephone about telegram 20866 from Paris. (Department of State, Electronic Reading Room, Transcripts of Kissinger Telephone Conversations)

e. If it appears likely that we will conclude this Agreement, we must consult with key members of IEA to minimize the possibility of an adverse reaction which might weaken the solidarity of this organization.

Only by moving forward aggressively and in accordance with the plan outlined above can we hold open the possibility of concluding this arrangement.

4. Attached at Tab B<sup>4</sup> are the points which I would make in discussing the matter with Bill Simon. Undoubtedly he will raise the following issues:

a. *This deal appears to "bless" the current OPEC price level.*

On the contrary:

—it represents a major crack in the solid OPEC front which could lead to a break in OPEC prices reflecting market forces (in which case we would cancel this Agreement).

—it partially protects us from the OPEC price increase on October 1.

b. *It includes an element of "indexation" which might be viewed as acceptance of this principle.* Our argument is that we are obtaining oil in exchange for "Purchase Certificates" for U.S. products. To induce Iran to make this kind of commitment we must provide them with assurance of at least partial protection against declining value of the oil in terms of U.S. product prices. The important point is that this only holds so long as the formula price is *less* than the OPEC market price.

c. *It could be viewed as a violation of the basic IEA understanding on bilateral oil deals.* If properly explained I believe that IEA members would see this as a move which could accelerate the return to a pricing system based on market forces.

*In summary, this program would represent:*

- a first major break in OPEC solidarity,
- a lower price on a portion of our oil imports,
- an effective response to the likely OPEC price increase on October 1,
- embargo insurance,
- a commitment assuring supply of oil to Israel as a replacement for Abu Rudeis,
- assured petrodollar recycling, supporting Treasury's interest in foreign exchange stabilization and the public's interest in the sale of U.S. goods and services.

On balance, it clearly serves U.S. interests and we should attempt to conclude the necessary arrangements recognizing that we may be

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<sup>4</sup> Not attached.



frustrated in the end by lack of existing authority and the impossibility of obtaining new authority by the August 23 deadline.

*Recommendation:*

That you approve proceeding along the above lines to finalize a bilateral oil arrangement with Iran.<sup>5</sup>

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<sup>5</sup> Ford initialed his approval and wrote: "Would want Chuck Robinson to work with Frank Zarb & Alan Greenspan as he has in past."

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#### 141. Editorial Note

On August 6, 1975, *The Washington Post* published a front-page article entitled "Iran Attacks Price-Gougers," which noted that after 18 months of high spending, "Iran is reacting to the realization that its economy is under severe strain and that the oil funds are not limitless after all." To counteract inflation, the government was "closing shops, shutting down profiteers and even jailing millionaire violators." It was also slashing prices on hundreds of goods, particularly food and other government-subsidized items. In telegram 7657 from Tehran, August 8, the Embassy reported on the new policy aimed at promoting, as the Shah put it, "economic as well as political democracy." It noted that the government was taking the strongest action in recent years to force down rising prices and address Iranians' "number one public complaint" against their government. (National Archives, RG 59, Central Foreign Policy Files, D750274–0114)

On August 29, in telegram 8447 from Tehran, the Embassy provided the reaction of the business community to the anti-profiteering drive, observing that it had left businessmen "badly shaken" as some 25,000 alleged price control violators had been detained or sentenced to jail. Since prices had been cut, often without reference to actual costs, the Embassy noted, merchants supposedly had cancelled millions of dollars in imports rather than accept narrowed profit margins, which would ultimately produce shortages. Moreover, the price control authorities reportedly behaved arbitrarily, holding merchants responsible for actions of their subordinates, dictating commodity prices on a whim, and enforcing price controls more stringently on some products than on others. (Ibid., D750299–0653)

After economic officers from the Embassy met with Senior Commerce Undersecretary Memarzadeh, the Embassy reported in telegram

8992, September 11, that the Undersecretary offered contradictory information about whether the government had set a single fixed profit margin for all imported products. Memarzadeh privately admitted that the Iranian Government was “troubled by ‘hesitation’ of businessmen to import more goods and retailers to purchase from wholesalers and importers when profitability unknown factor. (*Note: Merchants tell us that certainty of losses is more to the point.*)” The Embassy concluded that there was no sign that the Iranian Government would abandon its anti-profiteering drive. (Ibid., D750315–0062)

On September 25, in telegram 9450 from Tehran, the Embassy urged the Departments of State and Commerce to advise interested U.S. businessmen that business activity in Iran had “turned sharply downward, primarily as a result of uncertainties stemming from the government campaign to combat inflation and profiteering through the institution of price controls.” The possibilities of immediate, as opposed to long-range, business were poor, and there was little chance of significant improvement in the coming weeks. (Ibid., D750332–0907) In telegram 9906 from Tehran, October 9, the Embassy reported the Shah’s speech to the Islamic Chiefs of Mission resident in Tehran, in which he emphasized that the anti-profiteering principle would be constantly enforced, and the rules of Islam should be cited to the public “so that they can understand how vigorously Islam condemns profiteering.” Most businessmen to whom U.S. officials spoke, the Embassy noted, insisted that the authorities continued to act arbitrarily and reported that they were losing 10 to 15 percent on every transaction. Despite government pleas, businessmen were declining to reorder when their current stocks ran out. (Ibid., D750351–0720)

**142. Memorandum From Secretary of Defense Schlesinger to President Ford<sup>1</sup>**

Washington, September 2, 1975.

## SUBJECT

DoD Activities and Interests in Iran

This memorandum outlines certain problems concerning US–Iran relationships with emphasis on the growing DoD involvement in and support for the Iranian defense program. Although it is in US interest to see Iran remain a strong military power in the region, there is some doubt as to whether our current policy of supporting an apparently open-ended Iranian military buildup will continue to serve our long-term interests. We have particular doubts concerning the ability of Iran to absorb and therefore operate all the sophisticated US arms it is buying without growing and possibly unhealthy reliance upon US skilled manpower. The memorandum points up some DoD concerns regarding this involvement which merit your attention.

*Early US–Iran Relationships and US Policy*

Our close security relationship with Iran dates from World War II when we needed to maintain a supply route through that country to the Soviet Union. We established two military missions in Iran in 1942, and we had as many as 28,000 men there during the war. In the early post-war years the US played a significant role in persuading the USSR to withdraw its forces from the northwestern part of Iran and since that time we have continued to view Iran as a bulwark against direct and indirect Soviet encroachment in the key Persian Gulf area. Since 1947, the US has had a series of agreements providing for military advisors and assistance to Iran. Congress authorized the first military credits to Iran in 1948 and Iran was included in the first Mutual Defense Assistance program, requested by President Truman in 1949.

In addition, US support for the Shah in connection with the Mo-sadeq coup attempt in 1953 served to establish a strong tie at that time

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<sup>1</sup> Source: Washington National Records Center, OSD Files: FRC 330–78–0058, Box 66, Iran 091.3, 1975. Secret. An attached note indicates that the memorandum was one of two that Schlesinger personally handed to Ford in a meeting on September 2. During the meeting, Schlesinger told Ford: “Iran has an almost limitless appetite and has so much on its plate they can’t digest it. We have tried to slow them, but we have given in when the Shah really wanted it. Our problem is that we are building up our American population in Iran—it’s now about 100,000—which could be a problem. It could provoke anti-Americanism and terrorism. If the political situation turned sour it could leave us very vulnerable. I think we need a thorough review of our short-term and long-term policy toward Iran.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 15) The other memorandum was not identified.

between the Shah and the US, and was the basis for some of the relationships which continue today. Since 1953 the Shah has sought and received increased US arms aid, first to assure that the communist Tudeh party would be controlled; then in return for Iran's joining the Baghdad Pact; and in 1956 as a reaction to the Kassim-led radical takeover in Iraq.

By 1959–60, Iran's forces had grown from their 1950–53 level of about 125,000 to some 209,000, with plans for further expansion. The Shah's emphasis on Iran's military buildup dominated US-Iranian relations in the early 1960's, with the US seeking to limit military expenditures and the growth of Iran's armed forces, and to press the Shah into taking steps to meet Iran's economic and social needs. In 1962 agreement was reached providing for reduction of the armed forces to 160,000 and outlining, in return, a five year plan for the introduction of better US weapons, improved mobility and better training.

#### *Recent US Arms Policy Toward Iran*

In the early and mid-1960's, the US provided military assistance to Iran under agreements which specified that assistance would be based on US surveys of Iranian needs. However, two events were to change this relationship, the first was the British withdrawal from the Gulf. The second was the rise of oil prices.

In 1968 the British announced their intention to end their protective role in the Persian Gulf area beginning in 1971. At that time we undertook a review of our policy and determined that we should not try to replace the British in the area but should rely upon friendly local powers to maintain the stability of the region. In practice this meant continued support for Iranian and Saudi Arabian military programs. President Nixon's guidelines were set out in NSDM 92, "US Policy Toward Persian Gulf."<sup>2</sup>

At that time Iran had made good economic progress and though we expected the phase-out of military grant aid in 1969 we also believed that the substitution of credit sales would impose financial constraints on Iranian military spending. However these constraints were reduced by OPEC's success in 1970 in raising oil prices by 20 percent.

From the standpoint of US policy, another key milestone in US military assistance for Iran was President Nixon's visit to Tehran in May 1972, following his trip to Moscow. That visit resulted in agreement in principle to sell the F-15 and/or F-14 aircraft as the Shah might choose, laser-guided bombs, plus the services of US uniformed technicians to

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<sup>2</sup> NSDM 92, November 7, 1970, is printed in *Foreign Relations, 1969–1976*, Volume XXIV, Middle East Region and Arabian Peninsula, 1969–1972; Jordan, September 1970, Document 91.

work with the Iranian military. In addition, under policy guidelines emerging from that visit, decisions on future acquisitions of military equipment in general were to be left primarily to the Government of Iran.

That 1972 policy, coupled with the unanticipated upsurge in Iran's oil revenues since late 1973, has permitted the Shah to place huge arms orders with the US over the past two years.

#### *Iranian Defense Programs and Trends*

The Iranian Armed Forces, including the Gendarmerie, have more than doubled in size since 1967 (from 207,000 to 436,000). Present plans call for a further expansion of about 50,000, to a total of 486,000 by the end of 1978 (the three military services would total 380,000). The Iranians probably will fall short of the 1978 goals, but they nevertheless plan some further growth beyond that goal.

The modernization and expansion of Iranian military forces has propelled defense spending at a rate well in excess of any other major sector, rising fifteen-fold over the past eight years to some \$9.4 billion in 1975—about one and one-fifth times the amount spent on economic development. In the 1967–1975 period, defense spending has represented 37 percent of the budget; currently it accounts for about 41 percent. In terms of GNP, defense expenditures have grown from 6.8 percent in 1967 to 15.2 percent in 1975.

Inflation (20–25 percent this past year), heavy increases in defense operations and maintenance costs, and competing demands from the non-military sectors could reasonably be expected to force the Shah to adjust his military investment programs in the next few years. On the contrary, he seems determined to buy more rather than less.

#### *US Security Assistance for Iran*

In modernizing the Iranian Armed Forces, the Government of Iran has turned primarily to the United States for military equipment, as well as US military support and training, secondarily to the UK, USSR, Italy and France. The GOI has contracted to purchase approximately \$10 billion in US weapons, equipment and support and training services through the Foreign Military Sales (FMS) Program (\$9.1 billion since 1972). In value terms, roughly \$8 billion of that \$10 billion is yet to be delivered, raising the specter of severe management problems downstream.

Iranian military purchases are expected to remain at high levels over the next few years as the GOI becomes more deeply involved in several long term projects for improved air defense, expanded national telecommunications, training programs, logistics systems, and additional aircraft and ships. Training costs will increase substantially and

follow-on support related to operations and maintenance of equipment already acquired are likely to push DoD involvement higher.

*Concerns for the Future and Now*

—*Iranian Absorptive Capacity.* Iranian capacity to absorb defense systems now being acquired is limited by two major obstacles, namely, the lack of training or even trainable Iranian manpower (and the competition from the civilian sector for such talent), plus delays in the huge construction programs required to provide supporting facilities for the weapons and equipment being obtained from abroad. (The armed forces construction program for 1973–78 totals in excess of \$5 billion; the total number of sites where military construction is underway exceeds 300.) Frankly, the US itself would find it extremely difficult to handle expansion programs of this size and speed; the Iranians cannot do it. The military supply system is a shambles. There is no delegation of authority, military pay and housing lags behind the civil sector, incompetence and corruption are endemic, and there is no prospect that the Iranian forces will be in respectable fighting shape for years to come (this may not be important against other Gulf nations). There are some good and dedicated men, but the expansion is too great for them to cope with.

Clearly, the GOI looks to the Department of Defense to assure the success of its military programs, even for programs being carried out by US civilian contractors. The extensive acquisition of military matériel, based on a limited absorptive capacity, may lead to failure and ultimate recriminations against the US, deserved or not.

—*The DOD Presence In-Country.* Since the GOI has turned to the US primarily for technical assistance and training support for its military programs, the numbers of DOD personnel, as well as civilian contractor personnel in Iran on defense-related projects, have grown dramatically in recent years. In FY 73 DOD personnel in Iran numbered about 760; in FY 76 they will number 1,708. The increase is attributable almost entirely to security assistance activities. DOD personnel including dependents will reach roughly 4,000 in FY 1976. (These figures do not include any of the numerous TDY assignments in-country of less than 180 days duration.)

In FY 1975, US contractor personnel associated with defense-related activities numbered a little over 2,900 with about 5,400 dependents. Roughly one-third of the contractor personnel are retired US military. ARMISH-MAAG states that retired military personnel are arriving at a rate of about 50 per month. The Mission further estimates that about 4,500 contractor personnel with about 8,300 dependents will be in Iran in FY 1976. With the DOD community, this would reach a total of 17,000, up from about 12,000 in FY 75.

The prospects are that the need for large numbers of skilled unformed technicians will stretch out well into the 1980's and become a significant drain on the manpower resources of our own Services. In addition, the growing DOD community in-country presents significant social and economic problems for US personnel (skyrocketing rentals; shortages of adequate medical and commissary facilities; serious security problems from terrorist groups, especially in the Tehran area).

I should also add that this is only part of a wider diffusion of American personnel which is occurring throughout the Gulf. A recent DOD-sponsored study concludes that the number of US citizens in the eight Gulf countries is likely to increase by 135 percent by 1980, from about 63,000 to about 150,000, including 70,000 in Saudi Arabia and nearly 76,000 in Iran.

The Shah and his principal advisors have been told repeatedly that they should not plan on a further substantial growth in the number of DOD military advisory/training (MAAG-TAFT) personnel. The Shah is aware of American public sensitivities on this issue, and may refrain from further requests—but given a tightening budget, the scope of his problems and the potential difficulties with US civilians (cost, inability to get good men if terrorists should target civilians, and labor relations as evidenced by the recent Bell Helicopter instructor's strike), he has only three alternatives. He can look for German, British or even Pakistani and Korean personnel (and accept less expertise); he can use fewer foreigners and simply accept a substantial reduction in capabilities for the indefinite future; or he can seek an increase in US military personnel.

#### *Other Problems*

Aside from our concerns about DOD personnel, we believe that there are other potentially serious issues we should be aware of:

—*Gulf Arab Perceptions.* The Shah has long announced his intention of preserving and protecting access by sea to the Persian Gulf oil reserves. There are doubts, however, among Iran's Arab neighbors concerning Iranian intentions, despite the recent GOI-Iraqi settlement and current discussions of some form of Persian Gulf security grouping. These doubts and suspicions probably are deeper and more widespread than appears on the surface, as the flow of US arms continues.

—*Third Country Arms Transfers.* Iran has shown an inclination to transfer some of its older US equipment acquired under MAP and the FMS to third countries without obtaining US consent in advance. The transfer question could become a greater problem for US-GOI relations in the years ahead. The Shah has already shown a propensity to support selected friends and allies in the area with equipment and supplies from his own inventories and pressures are likely to increase for such

transfers, especially as some of his equipment is replaced by newer items. This, of course, would impact on our arms supply policies, in both the Middle East and South Asia. (As a matter of current interest, the GOI has just requested US views concerning a large scale transfer of US-supplied weapons and equipment to Pakistan.)

—*Congressional/Public Attitudes*. Criticism is increasing in Congress and the public that the USG is fueling a destabilizing arms race in the Gulf. This criticism stems in part from concern that there are considerable prospects for instability within the area, that we don't know what kind of governments we can count on for the future or whether they will be well disposed toward the US.

—*Differing Perceptions Between the US and Iran*. Despite the basic foundation of good relationships, there are prospects that US-Iranian relations will become more difficult in the years ahead for a variety of reasons as reflected in NIE 34-1-75 of 9 May 1975<sup>3</sup>—pressures for various arms the US may not wish to release, the Shah's interest in the removal of both the US and Soviet military presence from the Persian Gulf and Indian Ocean areas, Gulf Arab doubts concerning Tehran's ultimate intentions plus possible overt rivalries which would pose difficult choices for the US, and the Shah's role in OPEC, among others. The issue of oil prices obviously is one in which US interests and the Shah's perceptions of his interests could easily collide, and soon. The question of nuclear safeguards for the reactors he seeks is also likely to be troublesome.

### *US Policy Options*

Given the apparent divergence of US policies and Iranian behavior, we need to consider what actions, if any, we should take to lessen possible adverse consequences to ourselves. We have essentially three options: (a) to continue the present policy; (b) to seek to restore an overall balance in US-Iranian relations; or (c) to follow a damage-limiting strategy aimed not so much at restoring the past balance as at limiting the extent of future damage by limiting our involvement and restricting somewhat our new commitments to Iran.<sup>4</sup>

<sup>3</sup> Document 121.

<sup>4</sup> An October 1974 OASD/ISA paper on Iran similarly urged a policy review: "Against those who live by the 'all or nothing at all' and 'don't rock the boat' theses, we need to inquire as to exactly what end we are risking over-identification with the Shah and over-extension of the DOD relationship. Has our accumulated leverage deterred the Shah from leading the pack on oil price increases and thereby knowingly eviscerating the monetary systems of the industrialized world? When are we to cash our check of accumulated leverage? Or are we to conclude that U.S. military sales alone are sufficient justification?" Clements commented: "Who says it is 'over.' Did not join oil embargo. Did supply Israel." The paper did not go forward. (Washington National Records Center, OSD Files: FRC 330-84-0054, Box 1, "Memos on Substance of Iranian Programs")



*Conclusion*

From a DOD standpoint, at least, the prospect of future difficulties with and uncertainties in the Persian Gulf area suggests the need for an early review of US defense and security interests in Iran and the Persian Gulf area.

As a related matter, US policy concerning the supply of arms and related goods and services to Iran should be reevaluated to determine whether basic changes in orientation and implementation are desirable. It would appear important that we consider whether and to what extent the changes in our relationship with Iran are irreversible and what future policies we should follow—especially in the area of military sales and support, which is central to our relationship.

*Recommendation*

That you direct the National Security Council mechanism to initiate such a review covering two time periods—the next five years and the next ten years.

I would be glad to discuss with matter with you personally.

**James R. Schlesinger<sup>5</sup>**

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<sup>5</sup> Printed from a copy with this stamped signature and an indication that Schlesinger signed the original given to President Ford.

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**143. Memorandum From the Under Secretary of State for  
Economic Affairs (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, September 8, 1975.

SUBJECT

Bilateral Oil Agreement with Iran

Ansary cabled through Helms Sunday night a wholesale rejection of the compromise terms I suggested last week in an effort to find a

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P870050–2454 Secret; Nodis; Cherokee.

basis for an oil agreement with Iran.<sup>2</sup> He suggested that the matter be left in abeyance for possible renewed consideration after the OPEC price decisions are announced, if we then are interested in further negotiation.

I conclude that there is no basis for agreement now. The Iranians clearly developed cold feet as they approached the hour of explaining to their OPEC partners a deal in which Iran would cut them out of a substantial share of the U.S. market by breaking the price line. To alleviate this concern, Ansary proposed increasingly unreasonable terms, including:

- (a) backdating the agreement by many months,
- (b) starting the indexing calculation from January 1975, thereby wiping out our initial discount, or, alternatively, basing indexing on the unknown October OPEC prices, and
- (c) requiring that the U.S. Government enforce a prohibition against switching by U.S. oil importers from their 1974–75 average level of purchases from Iran at the new OPEC price to purchases under the discount-price agreement.

These heightened Iranian demands probably would not have been made if we could have concluded an agreement in August committing us to a firm “take” of the oil from the outset. This intention was frustrated, however, by the Treasury’s refusal to permit use of the Exchange Stabilization Fund to cover possible losses. Our consequent introduction of new elements—an interim period in which the U.S. Government would act as Iran’s agent, without risk of loss, and a debate in Congress over appropriations to back up the long-term arrangement—gave Iran an opening for its own second thoughts.

There remains the risk that Iran will try to use within OPEC the fact of our having negotiated toward an agreement involving U.S. acceptance of higher prices through indexation. Selective disclosure of this sort could embarrass us with Saudi Arabia, other OPEC countries, and our IEA partners. My judgment is that the Iranians are unlikely to do this because they must assume that it would set off a process of counter-disclosure by us which would severely embarrass Iran within OPEC.

Despite Ansary’s strong language in rejecting our compromise proposal, my conversations with him assure me that our inability to reach agreement on this matter will not adversely affect our other relations with Iran.

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<sup>2</sup> Robinson sent the compromise terms in telegram 208751 to Tehran, September 3. (National Archives, RG 59, Central Foreign Policy Files, N750004–0125) Helms transmitted Ansary’s response in telegram 8760 from Tehran, September 7. (Ibid., P850004–1831)

The negotiations have given us a better measure of Iran's objectives and tactics and some insight into OPEC's internal politics. It also has led us to devise for ready use with Iran or other countries a mechanism for executing bilateral oil deals if the need arises on short notice in the future.

*Recommendation:*

I recommend that I agree with Ansary that the matter should be held in abeyance and, I would add, in absolute confidence, until we can both determine, after the OPEC price decision, whether any basis exists for renewing negotiations.<sup>3</sup>

In order to suspend these negotiations in the best atmosphere, you may wish to send a personal message to the Shah. A proposed draft is attached for your signature.<sup>4</sup>

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<sup>3</sup> There is no indication that the Secretary approved or disapproved this recommendation; however, Robinson asked in telegram 214610 to Tehran, September 9, to convey to Ansary his agreement to hold the matter in abeyance. (Ibid., P850047–2583)

<sup>4</sup> Attached but not printed. There is no indication that the Secretary approved or disapproved this recommendation, but he sent the Shah his personal concurrence in suspending the negotiations in telegram 214381 to Tehran, September 9. (Ibid., P850047–2581)

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#### 144. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, September 11, 1975, 0640Z.

8946. Subj: OPEC Oil Price Decision. Ref: State 214124.<sup>2</sup>

Following is the exact text of a message we received from the Ministry of Court for the President from the Shah: "Dear Mr. President: I thank you for your message of September 9, the contents of which I have noted very carefully.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750314–0640. Confidential; Immediate; Exdis.

<sup>2</sup> Telegram 214124 to Tehran, September 9, transmitted a letter from Ford to the Shah expressing his concerns about the impact of high oil prices on the international economy and about possible OPEC price increases in the fall. (Ibid., D750312–0062) The telegram is printed in *Foreign Relations, 1969–1976*, volume XXXVII, Energy Crisis, 1974–1980, Document 80. Similar letters were sent to Saudi King Khalid and Venezuelan President Pérez.

As you are no doubt aware, Iran has always been a firm believer and supporter of a dialogue between developing and developed nations in order to contribute to the solution of the chronic economic problems with which the world at large is beset. It was in this spirit that at my suggestions, OPEC agreed to freeze the price of oil until the end of September 1975, although we were subject to the continued inflation exported to our countries.

However, I feel constrained to say that it does not appear justifiable to us to continue the freeze and to tolerate a decrease of about 35 per cent in our purchasing power before such a dialogue takes place. In this context it is worthy to note that we have no influence on the prices of commodities and manufactured goods which are imposed upon us. There are many items of goods that we buy this year 300 to 400 per cent more (in price) from the United States of America than we did 18 months ago and we have no choice other than to pay the price demanded. Furthermore, you know very well, Mr. President, that we always take a moderate line and there are many members of OPEC who are demanding much greater increases in the price of oil than we are.

With regard to the adverse effect of any increase in oil prices on the recovery of the industrialized countries, I would like to draw your attention to the fact that firstly the tax imposed by the consuming industrialized nations on oil products which on average nearly equals the government take of the oil producing nations can very well be adjusted to take care of any increase in oil prices. In the case of the United States of America considering lifting the two dollar tariff imposed on imported crude which has been under discussion could very well serve the same purpose.

Secondly, bearing in mind the long-term interests of the world community, particularly of the industrialized countries, the sound economic growth of which directly affects the industrialization of the OPEC nations, an increase in oil prices is imperative to create sufficient incentive for the development of alternative sources of energy which in the case of the United States in particular would render "Project Independence" a reality.

Thirdly, with regard to the adverse effect on the economy of non-oil producing developing countries I have in mind a plan of assistance for these nations in the form of grant-in-aid which hopefully with the support of the OPEC countries can be put into effect immediately.

The precarious worldwide monetary situation started well before we increased the price of oil and after we effected this increase it was responsible for only two per cent of the world inflation which was running between 12 and 27 per cent. For example, to stress the point, according to international reports, the gold reserves especially of European countries are now greater than they were before the increase in the price of oil.

I also appreciate very much and greatly value the special relationship that exists between our two countries which as you fully recognize, Mr. President, is not only in favor of Iran but is mutually and equally beneficial to both sides. If in defending our legitimate interests, we might raise serious questions among the American people we would be very sorry to ascertain that the real facts have not been set before your public.

With best wishes and kindest regards, Sincerely, Mohammad Reza Pahlavi.

The Honorable Gerald R. Ford, President of the United States, Washington, D.C."<sup>3</sup>

**Miklos**

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<sup>3</sup> Meeting in Vienna September 24–27, OPEC agreed to a 10 percent price increase for the next 9 months. The Embassy transmitted the Iranian press reaction to the price increase in telegram 9718 from Tehran, October 3. (National Archives, RG 59, Central Foreign Policy Files, D750343–1188)

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**145. Memorandum From Clinton E. Granger and Robert B. Oakley of the National Security Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, September 23, 1975.

SUBJECT

Defense Request for Study of Relations with Iran

A memorandum from Secretary Schlesinger to the President (Tab A)<sup>2</sup> requests that a study be initiated within the NSC system to review US defense and security interests in Iran. Schlesinger recommends that the study address policy options, looking five and ten years ahead. He identifies the following as issues of particular concern:<sup>3</sup>

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 42, NSSM 238 (3). Secret. Sent for action.

<sup>2</sup> Printed as Document 142.

<sup>3</sup> On another copy of this memorandum, Kissinger wrote of these issues: "All these prejudice the answers. Of course story will leak." (Ford Library, NSC Institutional Files, Box 26, Meeting Materials—NSC Ad Hoc Technical Panels—Log Number 7506250, Proposed Study U.S. Defense Relationship with Iran)

—Iran's limited ability to absorb vast inflows of military equipment, the related requirement for large numbers of DoD personnel or for US citizens on a contract basis in country, and the likelihood that an enlarged presence will result in anti-US sentiment

—regional suspicions of the Shah's long-range purpose

—Iran's inclination to promote foreign policy interests by transferring US arms supplied under MAP and FMS to third countries without our approval

—increasing divergence of the positions of the US and Iran on important issues (oil, economics, US presence in the Persian Gulf, arms supplies)

—Congressional and public concern with our Persian Gulf arms policy

Schlesinger's letter also notes that we are facing similar, although somewhat less acute, problems with Saudi Arabia.

We think a study along the general lines suggested by Secretary Schlesinger is a good idea. We also believe it is imperative that any study we undertake be regional in nature, both because the problems are regional and because we would not wish to single out Iran as an object of special concern. Events are moving swiftly in the Persian Gulf and we have not had a comprehensive review of our policy toward the region since NSSM 66 in 1969.<sup>4</sup> In addition to the specific problems mentioned by Secretary Schlesinger, such a study would reassess (in light of these problems and other considerations—i.e. growing importance of Persian Gulf oil) our interests in the area now and in the future, and how those interests can best be served by our security relationship with Persian Gulf nations, particularly Iran, Kuwait, and Saudi Arabia.

It seems to us that we should aim at January for the Persian Gulf Study. The current review of Israeli arms requests, and the related issue of Arab arms, will have a bearing on this study, as will evolving Congressional attitudes on Middle East arms policy. OPEC oil-price policy and Congressional reaction thereto will also be a factor. We should have a clearer reading on these factors by the end of the year, and NSSM 223 on our general arms transfer policy will also be completed by then.

If you concur that such a study would be a worthwhile follow-on to the pending Israeli NSSM, we will submit a draft NSSM to you in January.

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<sup>4</sup> NSSM 66, "Policy Toward the Persian Gulf," July 12, 1969. See *Foreign Relations*, 1969–1976, volume XXIV, Middle East Region and Arabian Peninsula, 1969–1972; Jordan, September 1970, Documents 73 and 82.

*Recommendation*

That you sign the memorandum at Tab I<sup>5</sup> requesting the President's approval of a memorandum from you to Secretary Schlesinger agreeing to the idea of a study of our defense and security interests in the Persian Gulf, to begin in January 1977.<sup>6</sup>

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<sup>5</sup> Attached but not printed.

<sup>6</sup> In an October 10 memorandum to Schlesinger, Kissinger wrote that "the President agrees with your recommendation," but "would prefer, however, that the review be extended as well to our defense and security policies in the entire Gulf region," and that such a study "can most usefully be undertaken after the major decisions have been made concerning our overall policy on arms transfers generally (NSSM 223) and our revised defense relationship with Israel." (Ford Library, NSC Institutional Files, Box 26, Meeting Materials—NSC Ad Hoc Technical Panels—Log Number 7506250, Proposed Study U.S. Defense Relationship with Iran)

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#### 146. Report Prepared in the Bureau of Intelligence and Research<sup>1</sup>

No. 146

Washington, October 7, 1975.

##### NEW TRENDS IN IRANIAN TERRORISM

The discovery in mid-September that terrorists had infiltrated the staff of the US Embassy in Tehran indicates the persistence and adaptability of violent political dissent in Iran. Driven deep underground in recent years by the Iranian security service, SAVAK, terrorists patiently stalked US officials in hopes of:

- disrupting the regime's ties with the US;
- embarrassing the regime by proving its inability to halt political violence;
- exploiting nationalist resentment against privileged Americans; and
- eliciting tough reprisals that would provoke widespread popular hostility against the government.

*The Terrorist Organizations.* The Mujahidin-e-Khalq, which was responsible for the infiltration of the Embassy Staff, represents the fusion

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Asia, Middle East, and Europe Files, Iran 1973–1980. Secret; Not Releasable to Foreign Nationals; USIB Departments Only; Not Releasable to Contractors or Contractor-Consultants. Prepared by F.P. Huddle.

of religious and Marxist reaction against the Shah's rule. A tiny clandestine organization—as far as is known, it contains less than 100 activists—it has ties with Iranian opposition elements abroad. Funds come from Libya and from émigré Shia religious leader Khomeyni, now in Iraq. Some training is carried out in a Lebanese fedayeen camp and at two Libyan sites. Its foreign organization appears to include a cell in Paris.

The Mujahidin-e-Khalq has recently stolen the limelight from the other principal Iranian terrorist band, the equally tiny and little known Charikha-ye-feda'i-ye-khalq, a radical leftist-oriented, anarchist faction that has been quiescent during the past 10 months.

Both organizations are anti-imperialist and rabidly anti-US—much in the Tupamaro urban guerrilla mold. Neither has an ideology designed to exploit Iran's substantial regional and tribal differences. But the Mujahidin has gained the edge in attracting recruits by stressing the Islamic component of its ideology, on the one hand, while emphasizing income inequalities and the Shah's heavy dependence on American advisers and arms, on the other. As a result, the Mujahidin has been able to draw its membership from both the religiously oriented lower-middle class and left-leaning students. It now has access to more recruits than it needs.

Iranian terrorists view urban guerrilla activity as the most effective means of demonstrating their opposition to the regime. They appear to calculate that the government depends so directly on the person of the present Shah that it is particularly vulnerable.

*Tactics.* Terrorism has taken two new directions in Iran since the fall of 1974.

—Hitherto, scattershot violence had been practiced; targets were selected at random to generate publicity, to embarrass the Shah, or simply to demonstrate that the opposition was still alive.

—Subsequently, the Mujahidin enlarged its goals to include the intimidation of the security forces through assassination of unpopular figures. In the past year or so, terrorists have killed two American officials<sup>2</sup> and a number of prominent Iranian officials including General Zandipur, head of the Anti-dissidence Committee.

—Having sampled public opinion (especially on the university campuses), the Mujahidin seems now to have concluded that further targeting of SAVAK officials would be dangerous and counterproductive. A recently arrested Iranian terrorist leader confirmed that the terrorists have shifted their campaign of violence to a primary focus on American officials in the belief that action against Americans will ap-

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<sup>2</sup> See Document 128.



peal to nationalist, anti-foreign sentiment and engender less savage reprisals from SAVAK.

These new tactics are well designed to exploit popular grievances:

—Many traditionalists have long been disaffected from the regime because of the Pahlavi dynasty's alleged hostility to Islam and its suppression of the activities of various clerics. These circles also deeply resent government corruption, as well as the materialism of modern Iran, which is widely associated with the US.

—A sizable number of Iranians are disturbed by the enormous influx of foreigners in connection with industrial expansion and military purchases; the increasing foreign presence heightens the demand for housing and other scarce commodities.

—Much of the Iranian intelligentsia withholds allegiance to the system. Traditionally, ambitious Iranians are wary of deep personal commitments.

—The professional middle class and those associated with higher education often are not satisfied despite their economic gains. They regard the military program as wasteful and believe that, given its oil revenues, Iran should provide a better quality of life for its citizenry.

*The Regime's Response.* In this situation, the regime has not yet found effective ways to defuse dissatisfaction, which is usually expressed sotto voce because of the repressiveness of the internal security organization. During the Iranian calendar year 1353 (March 21, 1974, to March 20, 1975), SAVAK arrested some 2,158 terrorists, 50 percent more than the year before.

In the past six months, the upsurge of terrorism has somewhat undermined SAVAK morale and belied its predictions of a year of quiet. SAVAK is hopeful, however, that with the arrest of Afrahkhteh, a Mujahidin leader, on July 28 and with the roundup in mid-September of several Iranian employees of the US Embassy as Mujahidin members, the terrorists may now be running short of trained and well-placed personnel. At the same time, the regime has initiated a modest radio, television, and press campaign to portray the terrorists as deluders of idealistic Islamic youth.

*Outlook.* Repression and crude counter-propaganda do not seem likely to be effective in undercutting the terrorists' appeal over the longer run. Rapid economic and social changes and unchanging authoritarian rule may not lie well under the same roof. Moreover, Iran has had a history of xenophobia; hostility to foreigners should prove particularly troublesome in view of the large anticipated buildup of the American community. By 1980, the Americans in Iran will number at least 50,000 and perhaps as many as 80,000. This increase will probably provide abundant targets, especially in the more isolated areas where many Americans will live and work.

Although terrorists may find that the agreement of March 6, 1975, between Iran and Iraq will hamper their ties with Khomeyni and other supporters abroad, they will no doubt continue to recruit and train committed operatives within Iran. While these small, tightly knit groups will remain fearful of SAVAK, they will be willing and able to kill Americans, a tactic that will put increasing pressure on the security forces. The continuing inability of the regime to prevent terrorism could fray SAVAK at the edges, jostle its privileged position within the Iranian power structure, and upset US-Iranian relations as the Shah wrestles with the dilemma of mollifying Iranian anti-foreign sentiment while maintaining close ties with the US, his chief ally and arms supplier.

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**147. Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, November 10, 1975.

Issues Between the U.S. Government and Iran

Ambassador Helms has alerted you (Attachment 1)<sup>2</sup> to a number of friction points between us and Iran. As the Ambassador has indicated, none of the issues is of itself of major significance but the accumulation portends “rough weather” in our relations with the Shah.<sup>3</sup> Following is a brief status report on the matters referred to by Ambassador Helms.

*Peaceful Uses of Atomic Energy*

The Iranians profess irritation with our efforts to place additional bilateral provisions in the agreement we are negotiating, and wish to be

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P830135–3050. Secret; Nodis. Drafted by Naas and concurred in by Sober.

<sup>2</sup> Attached but not printed is telegram 10801 from Tehran, November 5.

<sup>3</sup> INR Report No. 243, December 10, entitled “Iran: Problems Ahead in Relations with the US?,” also noted points of divergence in U.S.-Iranian relations. The report suggested that the Shah was testing his relations with the United States by, for example, leading OPEC in price hikes, digging in his heels on bilateral issues like co-production, and questioning the U.S. presence in the Persian Gulf. (National Archives, RG 59, Central Foreign Policy Files, P830108–1991)

treated equally with other parties to the NPT. The reprocessing issue is the key problem.<sup>4</sup> A new NSSM is in preparation to provide instructions for our negotiators.

#### *Increased Costs of Military Equipment*

Costs for arms across the board have skyrocketed for all of us and part of the problem is that the Shah is buying the latest, most advanced technology, the prices of which were not firmly known at the time of order.<sup>5</sup> He has also ordered very expensive modifications to much of the equipment. DOD is preparing a study on the three issues of most importance (Attachment 2)<sup>6</sup>—I Hawk, Spruance destroyers, and a support program for the F-14—and will present to the Iranians, after our clearance, a number of options which can result in decreased costs.

The Shah has complained in the past about our prices and has been mollified when a detailed explanation has been presented. Fundamentally, of course, his external commitments, industrial development program, social improvement measures and heavy military expenditures could seriously strain his available resources.

#### *Civil Air Matters*

We expect to have negotiations the week of November 17 to see whether a way can be found to bridge the gap between our legal requirements and Iranian insistence on having heavily discounted air fares for categories of Iranian citizens. I am not optimistic that a quick, amicable solution will be found. We shall keep you up to date.

#### *Oil Agreement*

I understand that Under Secretary Robinson has this issue under consideration.<sup>7</sup>

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<sup>4</sup> In telegram 11089 from Tehran, November 13, the Embassy reported that in the media, the Shah linked the impasse on a nuclear cooperation agreement to “unsatisfactory” U.S.-Iranian economic relations, a clear message that “Iranian sensitivities in the area of nuclear cooperation run deeper than we had earlier thought.” A backlash in other areas, the Embassy warned, could result. (Ibid., Central Foreign Policy Files, D750395–0697) In telegram 11539, November 26, the Embassy elaborated on the obstacles to a nuclear agreement, notably the amount of enriched uranium supplied by the United States which could be stored in Iran, and the right of Iran to reprocess U.S.-supplied fuel without prior U.S. approval. (Ibid., D750411–1129)

<sup>5</sup> According to a memorandum from Acting Assistant Secretary of Defense Jordan to Schlesinger, October 1, the price of the second installment of F-14’s for Iran went up nearly 30 percent from the original estimate. (Library of Congress, Manuscript Division, Schlesinger Papers, Box 22, James R. Schlesinger—Action Memos, 1 October–3 November 1975) See Document 148.

<sup>6</sup> Attached but not printed is telegram 10758 from Tehran, November 5.

<sup>7</sup> Negotiations for a bilateral oil agreement were resumed in early November, according to telegrams 10696 from Tehran, November 3, and telegram 260609 to Tehran, November 4. (Both in National Archives, RG 59, Central Foreign Policy Files, P850004–

*Co-Production Agreements*

The Iranians are still negotiating with U.S. firms co-production agreements on TOW, Maverick, a utility helicopter and an anti-aircraft gun. The Shah has ambitions to be a regional arms supplier and has asked about restrictions we may impose on sales/transfers of the above equipment. We have informed Helms, for transmittal to the Shah, that U.S. law requires case-by-case, prior approval for third country sales of co-produced items which encompass U.S. technology obtained either by FMS or direct contracts requiring Munitions Control approval; we cannot give advance blanket approval. We do not yet know what the Shah's reaction will be, but our restrictions should come to him as no surprise.

*Project IBEX*

IBEX is a large electronic system which will give the Iranians an ELINT capability. [3 lines not declassified] The Department of Defense has suggested that IBEX be put under its wing through FMS in view of its responsibility for overseeing the integration of all Iranian communications—the Seek Switch program. The Iranians have told us that how IBEX is managed is our bureaucratic problem to resolve, but that they would not accept delays or increased costs as a result of a change in management responsibilities. I believe the problems [less than 1 line not declassified] will be resolved satisfactorily next week. If not, I may request your intercession.

*LNG and Energy Policy*

Future U.S. policy on LNG is slowly moving to a resolution by the Energy Resources Council. Even if the final decisions are not fully satisfactory to Iran, a policy, whenever it is determined, will at least permit firm planning by the Iranians and U.S. companies.

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1758 and P850011–2001) In a memorandum to Kissinger, November 26, Robinson wrote that based on the renewed talks, “it was clear that the Shah wants a deal if it can be concluded by December 31 and without embarrassing Iran with its OPEC colleagues.” (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–153, Iran, Chronological Files, 5 October–31 December, 1975)

**148. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of Defense-Designate Rumsfeld<sup>1</sup>**

Tehran, November 17, 1975, 0916Z.

228. Refs: (A) Embassy Tehran 10758; (B) Embassy Tehran 10899; DefRepIran 091300Z Nov 75.<sup>2</sup>

1. Realize that you have not got your feet under the desk at the Pentagon yet<sup>3</sup> and that the issue I am identifying is not the highest priority matter you will face, but I did feel it might be helpful if I wrapped up the problem in this fashion, so that you would not be missing any of the essential elements when you give it consideration.

2. The affair has to do with the Shah's concern re prices of Defense goods and services, especially Spruance ships. Anticipate that papers are now working their way up through the bureaucracy and that you will find them on your desk when you move to the Pentagon.

3. Shah is reacting to \$1 billion in unexpected charges which we have passed to him since September. These include:

- A. \$138 million increase in F-14 procurement costs (50 aircraft).
- B. \$197 million unexpected F-14 support costs.
- C. \$200 million I-Hawk additional costs.
- D. \$600 million increase in price for 5 Spruance ships.

4. Shah is particularly troubled by increase in Spruance costs. He states that original price quoted to GOI in December 1973 was \$100–\$120 million for each DD-963. Owing to special Iranian requirements for equipment and some price escalation, cost had risen to \$238 million each when GOI took final decision to purchase ships. Recently, we notified him that price had escalated to \$338 million each. This is a particularly sharp blow when GOI budgets are being squeezed by oil revenue shortfall. Shah has indicated that he may be forced to cancel purchases if the higher prices are maintained. He feels that Iran's acquisition of Spruance ships was geared to joint US-Iranian collaboration on Indian Ocean security. If Spruances are to be priced out of Iran's reach, Shah feels he will be unable to render meaningful naval assistance to U.S. in Indian Ocean.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (6). Secret; Sensitive; Priority; Eyes Only.

<sup>2</sup> For telegram 10758, see Document 147 and footnote 6 thereto. Telegram 10899 from Tehran, November 9, conveyed the Shah's concern with the high cost of Spruance-class ships. (National Archives, RG 59, Central Foreign Policy Files, P850004–1846) The telegram from the Defense Representative in Iran was not found.

<sup>3</sup> Rumsfeld was sworn in as Secretary of Defense on November 20.

5. Despite Shah's serious reaction, believe that we have some flexibility in this situation. It is my impression from a conversation with the Shah and from remarks of his subordinates that he wishes to acquire these ships and might be willing to meet us half way. There are two things I think are required from us.

6. First, we owe him a clear and detailed explanation as to why cost of the Spruance ships was escalated to such an extent. Thus far we have received only rather bare bones justification for the increase. We need to be frank with the Shah on this matter and should not pull any punches.

7. Secondly, the Shah's overriding concern is that increases which we have passed to him to date may be only the beginning. He feels that Iranian efforts to plan their defense buildup are being seriously damaged by our inability to manage and forecast price changes. He fears that Iran will commit itself to major purchases on basis of one set of price and availability information and find later—when it is too late to back off—that changes are far more than were budgeted. We need to develop a better system for monitoring more closely the cost of major programs for Iran and keeping the Iranian Government as fully and rapidly informed as possible. The Shah is obviously aware that we cannot absolutely control inflation in defense costs, but he would like to see us make a better effort to develop early information on major changes in scope of his commitments with us. Otherwise he sees Iran's defense planning and budgeting reduced to a shambles by unpredictable escalation in financing requirements. And, as I know you are aware, the same basic problem faces you in forecasting our own defense costs.

8. I have taken several opportunities recently to reassure the Shah that the change in DOD leadership is a positive development and will not affect our defense relationship with Iran. I believe he is now relaxed on that point. It might be a useful gesture, however, if you could send him a short message after you take office in order to reinforce his feeling that our mutually beneficial ties remain firm.<sup>4</sup>

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<sup>4</sup> Rumsfeld replied in backchannel message WH52295 to Tehran, November 26, that these questions were receiving top-priority attention and that he would review any means of reducing price increases and explaining more fully to Iran why these unforeseen problems had arisen. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 11/75)

**149. Memorandum From the Counselor for Public Affairs of the Embassy in Iran (Winkler) to the Ambassador to Iran (Helms)<sup>1</sup>**

Tehran, November 24, 1975.

**SUBJECT**

The American Presence in Iran

Some time ago you agreed that we should take up the subject of the growing American presence at one of the Thursday afternoon sessions. A number of events have preempted that meeting and therefore I thought I would put my thoughts on paper for you. I am impelled to do this because of the recent street altercations involving American military personnel. While I do not feel that we have a significant problem on our hands now, I think there is a potentially serious situation awaiting our successors in this mission.

Before I came here in early 1973, I was told that there were “around 10,000” Americans in Iran. This seemed to be a large number but after I arrived, it did not appear to be an area of major public relations concern. Most of these Americans were spread around this large capital and the remaining were fairly well dispersed in other parts of the country.

Most importantly, these were people with some overseas experience. The business people were pretty much of an international lot and there were not too many at the blue collar level. Firms like Page did have a substantial number of expatriate employees, but many were not Americans and most were deep in the boondocks. The oil-well types were pretty much off by themselves in Khuzestan working 12 hours a day and aside from some occasional roistering on the planes between here and Ahwaz, they really have never been a problem.

Our military people were mostly officers, many with graduate-level education. There was no cadre of young enlisted men making passes at Persian women and getting into saloon fights. In addition, the Gulf District facility has always provided a suitable and, to my mind, adequate recreational outlet for this group.

Now the American population has grown to “around 16,000.” I feel the changes in this population are instructive for the future, particularly in light of the changes in the Iranian psyche. The American military detachment has remained about the same and the basic increment

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<sup>1</sup> Source: Washington National Records Center, OUSD Files: FRC 330–82–0234, Box 2, DR 25, American Presence in Iran. Confidential. A copy was sent to Miklos.

has been made up of a sizeable number of retired military, businessmen and, mainly, technicians or blue collar workers. This has come at a time when Iranians are increasingly self-assertive and increasingly conscious of what they see as their own capabilities and their potential role in the world.

During this period one of the principal points of policy confrontation in the long history of good relations between the two countries has arisen. In addition to the matter of oil prices, there are other areas of differences between the two countries which are appearing.

A fairly large percentage of the new American arrivals have gone into provincial settings. Many of them are novices in overseas living. Iran today is a less than pleasant and attractive place for those of us who are veterans at living abroad. It is understandable, therefore, that these new arrivals are having problems. They find themselves in an unusually abrasive society; much more so, I would guess, than other societies in which large numbers of Americans are now living. I have a hunch that the recent altercations followed episodes of frustration and anxiety to which the involved Americans were subjected. What we basically face, it seems to me, are two alien groups which are rubbing against each other and where the unique rudeness and discourtesy of the host society will seriously exacerbate the situation.

There is no need to go into the housing problems, the schooling problems and other general living problems which the Americans face. There is no need to note the criticisms which are beginning to appear in the newspapers about "the changing face of glorious Isfahan," and the terrorism which stems from several factors, one of which is undoubtedly a deep concern on the part of conservative and traditional Iranians about the erosion of their culture.<sup>2</sup>

While the Shah has said that he wants to bring in as many foreigners as are needed to get his society moving, he demonstrates both a great confidence in his own culture and a great insensitivity. I think we should keep that last point—the insensitivity—in mind because the Iranian establishment seems, in large measure, blind to the potential for mischief.

It is difficult to predict the future. While we cannot predict Iranian attitudes, we can guess they will become increasingly self-assertive and protective. While we cannot predict the course of government-to-government relations, we can guess that they will probably not get any

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<sup>2</sup> Others at the Embassy were less pessimistic. Political Officer Archie Bolster wrote to Henry Precht in a memorandum, October 21: "few Iranians oppose the presence of American technicians and advisers here unless they feel that these Americans are taking jobs they themselves are capable of filling." (National Archives, RG 84, Tehran Embassy Files, 1975, Box 185, Political Affairs 1975)



better and that, in all probability, more issues will arise over which our two countries will disagree. Today the U.S. has a vitally important foreign policy asset in its excellent relations with this increasingly important country. However, these relations can become increasingly fragile.

We are about to superimpose on this fragility a huge number of additional Americans. The most recent figure I have seen is "80,000 in a few years." This will give us a population in this country equal to the Jewish population, making us the second largest minority group. But the other minority groups are Persians. We are outsiders.

There are some 50,000 Iranians with an American educational experience who consider themselves Americanized. They are an important asset for the United States and USIS and other mission elements should continue to have meaningful contact with as many of them as possible. But this asset is not really going to be a terribly valuable insulation when great numbers of Americans pour in and begin to be negatively perceived by increasing numbers of Iranians.

My concern is that the kinds of problems we have seen in the past few years as our community has grown from 10,000 to 16,000 can be predicted to increase by geometric progression as increments of additional Americans come in and get to the point where we have five times as many as we do now.

It is very difficult to recommend useful courses of action. However, there are two I would advance. First, I think we should develop a consciousness about this which leads us to a concerted policy of getting our heads down. I have dealt with this in some detail in my memo to you of July 10 entitled *Time to Pull in Our Neck*, a copy of which is attached.<sup>3</sup>

But even more basic than the dramatization of the American presence through the mass media is planning for the future. I feel that the Embassy should go to work now to try and foresee as precisely as we can, with the information at hand, just what the American population is going to look like in each of the next ten years. How big will it be? Where will it be? What kind of individuals will make it up? What kinds of housing, schools, churches, and other facilities will they need?

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<sup>3</sup> Attached but not printed. The memorandum, written following the murder of an Iranian employee of the Consulate, noted that the Iranian power elite, insensitive to popular attitudes, permitted extensive press coverage of U.S. community activities. The coverage reminded Iranians of the U.S. presence and thereby of "the huge outlays for military hardware" which "a significant portion of the population cannot understand and see as one of the reasons for the slowness in getting the benefits of the new wealth to all of the people." Telegram 6424 from Tehran, July 3, reported the murder of the Consulate employee who was apparently mistaken for an American. (Ibid., RG 59, Central Foreign Policy Files, D750231–0029) The Embassy noted in telegram 6444 from Tehran, July 6, that its civilian and military members were targets after the terrorists pledged to kill nine U.S. officials. (Ibid., D750233–0345)

You might consider naming a committee of officers to undertake this study. I would suggest that if you do so, the committee should operate in your name so that it can achieve the fullest cooperation from whoever it goes to for information and cooperation. Undoubtedly the office of the new Defense Representative should play a leading role.

As this committee develops information, it should constantly be asking itself the question of "whether this additional American is necessary."

Perhaps this committee will be able to achieve some pruning of the potential increment or at least achieve some progress in spreading the Americans out geographically. The committee may even identify an FMS project which requires a very substantial input of Americans but which would not deliver a reasonable return in the maintenance of good relations.

The point is that if the problem or problems can be specifically identified, solutions may present themselves. Certainly the committee should be charged with finding ways to get the Iranian Government to prepare adequately for these influxes before they arrive.

I would recommend that such a committee seek out sensible and sensitive Iranian advice. It would need the guidance and counsel of an intelligent Iranian social scientist, either as a consultant or as a staff member.

Other members of the Embassy staff may have other and better ideas as to how we should deal with this problem. My point in this memorandum is fundamentally to raise the issue.

**Gordon Winkler<sup>4</sup>**

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<sup>4</sup> Winkler signed "Gordon" above this typed signature.

## December 1975–January 1977

### 150. Backchannel Message From Secretary of State Kissinger to the Ambassador to Iran (Helms)<sup>1</sup>

Washington, December 21, 1975, 0110Z.

WH52538. Please pass the following oral message from the Secretary to the Shah. Please do not leave any piece of paper.

1. You have been asked by the Secretary to discuss the Angolan situation with the Shah. We want him to know that despite the Congressional debate on funds for covert support in Angola, there are sufficient resources in the pipe-line to maintain our support for some time.<sup>2</sup> This will allow the Executive branch to make further efforts when the Congress returns in January to get the kind of additional financial support which will be required. The point to get across to the Shah is that we are not out of business, and that the Executive branch is resolved to pursue the Angola matter vigorously and with full determination. We do not intend to sit idly by in the face of Soviet intervention.

2. We want the Shah to know that our principal concern in this matter is the one that would concern him most—namely, that a Soviet power play in the heart of Africa not be permitted to succeed unchallenged with all the implications of successful Soviet adventurism in Africa as well as globally. We intend to do everything possible to continue our support of the FNLA and UNITA through Zaire, and we will also in our discussions with the Soviets, make clear to them that their involvement in Angola will inevitably raise questions about détente.

3. The Secretary wants to make clear what our purpose is in Angola. We are not against the MPLA per se; our interests in Angola per se are only marginal; but it is the Soviet challenge which is uppermost in our mind. Our purpose is a limited one—to support the FLNA and UNITA in order to create a military stand-off on the ground which would help promote a peaceful settlement among the three factions

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 12/75. Secret; Sensitive. Sent with the instruction to deliver at opening of business.

<sup>2</sup> Angola achieved its independence from Portugal on November 11 and was immediately plunged into civil war between several nationalist factions: the MPLA (Popular Movement for the Liberation of Angola), which took control of the government; UNITA (National Union for the Total Independence of Angola); and FNLA (National Front for the Liberation of Angola) rebels. The Soviet Union and Cuba backed the former, with Cuba dispatching troops, while the United States and South Africa funded the latter through their ally Zaire. Documentation on U.S. policy toward the Angolan civil war is in *Foreign Relations, 1969–1976*, volume XXVIII, Southern Africa.

looking towards the establishment of a coalition government. We also favor the end of all outside intervention and would be prepared to stop our support provided the Soviets do likewise, and we support the removal of all outside forces in such circumstances—Cubans, South Africans, and Zairois—leaving the Angolans to settle the matter peacefully among and between themselves.

4. In view of the parallel interests which Iran and the US share in this matter, we want to share our assessment that the next six or eight weeks will be crucial. It is important that the support for the non-Communist factions continue.

5. In light of the foregoing you should see if the Shah would find it feasible to make available funds to Zaire for additional equipment and arms which would help preserve the kind of military position for the non-Communist forces which is essential if a negotiated settlement is to be achieved. You should stress that we are not seeking funding for our own programs and could not accept such funds. What we are suggesting is additional financial support that would go directly to Zaire for support of FNLA and UNITA. If the Shah is disposed to be helpful—and we hope that he is—it would be important to move promptly. Therefore you should indicate that we would be prepared to discuss specifically how such funds channelled to Zaire could be used most effectively. We believe an additional total of [*dollar amount not declassified*] is needed. You may tell the Shah that we are approaching the Saudis along the same lines.<sup>3</sup>

6. With respect to the Iranian inquiry about transferring American-supplied equipment to Zaire, you should explain that we have difficulties on this. In the context of our present debate with the Congress on this subject and our intent to go back to the Congress again in January, we do not believe that we could concur now in an action which would have to be reported to the Congress and which would be seen by Congressional critics as a move to circumvent Congressional views on US involvement in Angola. That is why we are discussing with the Iranians—as with the Saudis—other possible ways for them to contribute directly through Zaire to a strengthening of the non-Communist forces in Angola.

7. Please report your conversation promptly in this channel.

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<sup>3</sup> Kissinger sent a similar message to Jidda on December 20. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-103, Geopolitical File, Angola Chronological File) In backchannel message WH52540 to Tehran, December 21, Kissinger told Helms that the Saudis had agreed to help in Angola, together with Iran and Egypt, but preferred not to coordinate with the United States. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 12/75)

**151. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of State Kissinger<sup>1</sup>**

Tehran, December 21, 1975, 1834Z.

244. Reference WH52538.<sup>2</sup>

1. Went carefully over ref message with Shah in early evening audience December 21.

His initial reaction was to ask whether you would meet with Ansary before Christmas. (My inquiry as to what he meant led to semantic exchange during which it became clear that he was speaking of "Christmas holiday period".) He then went on to say that if his government gets sufficient funds, he would like very much to help. He wants to know from us how much Saudis will contribute so that he can "complement" their amount and thus conceivably bring it up to the [dollar amount not declassified] required. (Please advise.) Shah commented that he would give the funds to Zaire and never ask that government what it did with the money. He would notify us what he had done but since he did not want to embarrass the USG with the Congress or the public, he would keep such notification entirely private. "After all," he said, "Jack Anderson might get ahold of the information if we notify you officially." This was stated with smile but the additional comment, "Please communicate what I have just said to the Secretary."

2. Shah told me he had had conversation in last few days with Soviet Ambassador Erofeev during which Angola situation had been discussed. Erofeev regaled Shah with Russian recognition of MPLA and standard Soviet line. In response to query, he told Shah that Cubans were "volunteers." Shah embarrassed Erofeev by saying to him, "Oh I see. Those Cubans have their planes and big weapons at home with them at all times and carry them with them wherever they go." Shah concluded by saying "I took the same position as your government on the situation. I said just what you have read to me and in almost the same words." (He was referring to the language in paragraph 3 of ref message.)

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 12/75. Secret; Immediate.

<sup>2</sup> Document 150.

**152. Memorandum From Robert Hormats of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, December 30, 1975.

SUBJECT

US–Iran Oil Purchase Arrangement

State (Poats) and Defense (ISA) are currently finishing up the paper which I requested of them last week laying out the essential elements, and the pros and cons, of a possible US–Iran oil purchase arrangement. Defense still needs to “clear up” a couple of points with Ellsworth (and may want to touch base with Rumsfeld). It should do so within the next day, after which a State/DOD (Robinson/Ellsworth) paper will be sent to you.<sup>2</sup>

Following this, it will be necessary to examine the issue in the context of our overall energy strategy (bringing Zarb into the act) and from a foreign policy point of view, particularly its implications vis-à-vis our relations with Saudi Arabia.

There are a number of serious questions which must be addressed at a senior policy level:

—Is the discount contained in the agreement sufficient to warrant the USG getting involved so heavily in the international energy trade? And is the discount sufficient to enable DOD to resell the Iranian oil in the US. (FYI: the spot price for heavy crude is now about \$2 lower than it was at the beginning of the year and well below the OPEC price. It may well be that a .50 cent discount on Iranian oil would leave the oil purchased under this deal higher than Iraqi or other spot crude, thus risking the possibility that DOD could not sell all the oil it would be committed to purchase.) Also, who gets the benefit of the discount? If DOD resells to US companies at market prices, what incentive is there for the companies to buy from DOD and not Iran; if the discount is passed to the companies, can it be sold politically here?

—How costly, from a foreign policy point of view, is our acquiescence in the indexation formula? We have resisted indexation of oil and other raw materials in all previous discussions with oil producing and developing countries. Wouldn't we now be in a significantly weaker position to resist their pressure?

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (7). Secret; Eyes Only. Sent for information. Concurred in by Houghton.

<sup>2</sup> See footnote 4, Document 153.

—Will this arrangement weaken the cartel's price fixing capabilities by triggering a massive "price undercutting" exercise by other oil exporters, or will it merely antagonize the Saudis (who compete with Iran in the heavy crude export market) by implying favoritism for Iran on top of a number of recent alleged US insults and acts of discrimination against Saudi Arabia. If Saudis perceive that we are making this deal with Iran to weaken the OPEC cartel, might they not simply adjust their oil production downward to offset any possible price weakness resulting from additional Iranian exports; in addition this could be a blow to our political relationship with the Saudis.

When this State/DOD paper arrives, I shall staff it for you. At that point you may want to ask Zarb for his comments (his man Malin is already familiar with the details) and ask Secretary Kissinger for an assessment of the impact on our relations with Saudi Arabia. Following that, I suggest that you, Kissinger, Rumsfeld, and Zarb meet to examine the entire issue and agree on the approach to take with the President.

In the meantime it would, I believe, be highly inadvisable for the President to authorize Kissinger to proceed without having answers to the above questions and others. In addition to the aforementioned substantive considerations, he should know that the purchases by DOD will be made under the Defense Production Act. Appropriations will be required from the Congress. Thus, hearings will have to take place and the entire arrangement will be subject to intense public scrutiny. Our motives and objectives will have to be explained. We may, as a result, be in the embarrassing position vis-à-vis the Shah of having to defend this arrangement on the grounds that it will weaken OPEC, if we actually believe that to be so. Alternatively if we feel we cannot use this argument because it would embarrass the Shah, we may be in the awkward position vis-à-vis the Congress of having to defend a deal with our hands tied. The President should recognize this.

While I recognize that this arrangement might somewhat improve our security of oil supplies (to the extent it increases our dependence on Iran and decreases it on Arab countries) and might also help the Shah out of a foreign exchange bind, I am inclined to proceed cautiously. We should have a very clear idea of what we are getting into before we take additional steps or lead the Iranians on any further.

**153. Memorandum From Robert Hormats of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, December 30, 1975.

SUBJECT

Bilateral Oil Agreement

For *URGENT* transmission to Vail.<sup>2</sup>

Attached is the latest update on the US–Iran bilateral deal—HAK's memo to the President, Robinson to HAK, and the latest exchanges with Ansary.<sup>3</sup> I am not certain that Kissinger has given the attached memorandum to the President, but I believe that he has at least used it as a talking paper.

DOD appears to be dragging its feet in the preparation of the Robinson/Ellsworth memorandum to you.<sup>4</sup> I am turning the screws on them a bit this morning, and expect that they will do something this morning by COB.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (7). Secret. Sent for information. Scowcroft initialed the memorandum.

<sup>2</sup> A handwritten note indicates this was "Done." President Ford was in Vail.

<sup>3</sup> Kissinger's memorandum is printed below. Robinson's status report on the bilateral oil deal is attached but not printed. The exchanges with Ansary are not attached.

<sup>4</sup> Robinson and Ellsworth wrote a briefing memorandum on "Technical and Legal Feasibility of Proposed Bilateral Oil Agreement with Iran" which Hormats forwarded to Scowcroft on December 30. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (7)) Robinson sent the memorandum to Kissinger in telegram Tosec 250092/305266, December 31. (National Archives, RG 59, Central Foreign Policy Files, N750006–0743)



**Attachment****Memorandum From Secretary of State Kissinger to President Ford<sup>5</sup>**

Washington, undated.

**SUBJECT**

Iran—Bilateral Oil Negotiations

I met with Iranian Minister Hushang Ansary in London on Sunday, December 14, 1975, where we discussed the status of our bilateral oil negotiations.<sup>6</sup> We reached tentative agreement on an acceptable formula under which the United States Government would purchase oil from Iran on favorable terms. This matter has been under negotiation for the past nine months. Negotiations were suspended in late August, due to Iran's reluctance to conclude an arrangement immediately prior to the October 1 oil price increase.

At Iran's request we re-initiated negotiations in November.<sup>7</sup> We have now reached general agreement as to the basic formula, including a price discount, which I consider advantageous to the United States. This has been discussed with the Department of Defense and the Federal Energy Administration. I now seek authority to conclude such an agreement. The Shah is eager to proceed with the final stages of these negotiations and complete them by December 31; otherwise he insists that they be terminated.

I am advised that the authority of the Defense Production Act can be used to carry out the arrangements contemplated under this agreement. This Act requires a separate Congressional appropriation. Although the appropriation bill would not affect actual budgetary

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<sup>5</sup> Secret; Sensitive.

<sup>6</sup> No record of the conversation has been found. However, in telegram 291531 to Tehran, December 10, the Department provided several alternative outlines of a bilateral oil agreement for Helms to give Ansary in preparation for the London meeting. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran—State Department Telegrams, From SECSTATE–NODIS (3)) In telegram 303084 to Tehran, December 24, Robinson requested Helms to advise Ansary that the regular procurement authority of the Defense Department could not be used as the legal basis of the proposed agreement. As a result, either the Defense Production Act or the Energy Act would have to be invoked, both of which required a Congressional appropriation. (National Archives, RG 59, Central Foreign Policy Files, P850012–2228)

<sup>7</sup> See footnote 7, Document 147.

outlays, it could be a vehicle for wide-ranging Congressional debate. This prospect and the time required to get the appropriation may cool the Shah's interest in an agreement.

### *Basic Objectives*

It has been our intent in these negotiations to achieve four important goals:

1. To weaken the cohesion of OPEC through conclusion of a special arrangement with one of its members—Iran. This would cause a shift in our oil purchases from other OPEC members, which could prove to be an important step in undercutting OPEC's solidarity on the price issue. This could be particularly effective during this period of excess supply and reduced exports, which has created concern on the part of certain OPEC members dependent on the level of export revenue for maintenance of their industrialization plans.

2. To achieve a significant saving in oil import costs with little or no financial risk to the United States Government.

3. To establish an assured source of oil to meet the United States' needs at home or abroad (including Israel) not subject to Arab oil embargo.

4. To build a special political relationship with Iran—a nation which we consider essential in the preservation of political and military stability throughout the Persian Gulf area. This is not only important to inhibit the expansion of Soviet influence but also to preserve the military stability required to assure availability of critical oil supplies for the Western world.

### *Basic Plan*

As a result of my meeting with Ansary I am confident that we can conclude an arrangement for supply of Iranian oil to the U.S. Defense Department for cash, at prices substantially below the world market. The basic terms of such an agreement would be as follows:

1. *Period*—Five years commencing January 1, 1976, but effective subject to our having Congressional appropriations.

2. *Quantity*—500,000 barrels per day.

3. *Base Price*—Fixed for five years at the present Iranian crude selling prices less a fixed discount yet to be negotiated.

4. *Price Adjustment*—Every six months commencing July 1, 1976, with base price to be increased by the percentage increase in the United States Wholesale Price Index for the previous six months but with the understanding that the adjusted base price will not exceed the established price for Iranian crude.

5. *Payment*—In cash, monthly, within a stipulated period after receipt of crude contracts.

*Direct Economic Benefits*

The Department of Defense would sell the Iranian crude export contracts it purchases under this agreement to U.S. oil refiners for cash or equivalent value in refined products, using the proceeds to supply petroleum products to the U.S. armed forces or U.S. international security programs. A net financial gain can be expected to be realized from these transactions, consisting of:

- the discount provided under the purchase agreement, and
- the probability of a reduction in the adjusted price below the official OPEC price for Iranian crude which we anticipate will be established by periodic unilateral action on the part of OPEC. (In no event can the adjusted price exceed the OPEC price.)

We anticipate a minimum saving of at least 50 cents per barrel or \$92 million annually with the possibility of substantially greater savings if OPEC continues to adjust prices to the higher level of international inflation as compared with United States inflation rates.

*Indirect Benefits and Costs*

Indirect effects may be less measurable but significant:

If this agreement touched off a round of price-discounting by other OPEC countries, the resultant break in OPEC's price front and price-fixing capacity could yield vast economic benefits.

One cost of this benefit would be our yielding in this agreement to the principle of indexation of oil prices, a concession that Iran and others would be quick to exploit and which some other industrialized nations would deplore.

The agreement could cause political problems with other OPEC countries, particularly Venezuela and Saudi Arabia. It would cause a substantial shift away from Venezuela to Iran in the market for heavy crude. This could be interpreted by Venezuela as retribution for its nationalization of U.S. oil companies. Saudi Arabia may see such a U.S. arrangement with Iran as another anti-Arab and anti-OPEC move by the United States, quickly following our official and private actions against the Arabs' boycott and discrimination practices.

I believe that the direct and indirect benefits of the proposed agreement are worth these risks and that the political problems are manageable. The OPEC countries are moving toward unilaterally imposing a price-indexing system in 1976. Our deal with Iran is calculated to undermine OPEC's cohesion and lower its sights in designing the new pricing system. We can counter complaints by Venezuela and possibly Saudi Arabia by asking them to make us a better offer.

We will inform our IEA partners before concluding negotiations with Iran, so as to give them an opportunity to consider similar deals.

*Authority Requested*

To accept the basic structure of an oil purchase agreement with Iran as outlined above, and to conclude negotiations on this basis with an estimated saving of at least 50 cents per barrel.<sup>8</sup>

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<sup>8</sup> There is no indication of the President's approval or disapproval.

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#### 154. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, December 31, 1975, 0822Z.

12570. Personal for Secretary Kissinger and Secretary Rumsfeld. Department please pass to General Scowcroft, White House. Subj: Possible Change in Iranian Foreign Policy.

1. At audience on afternoon of December 30, Shah informed me that he was going to have to re-think Iranian foreign policy in light of significant revenue losses caused by dropoff in oil liftings of a million barrels per day.<sup>2</sup> After pointing out that any foreign policy involved military and economic considerations as well as political ones, the Shah explained that he cannot go on lending money to countries like Britain and France nor can he go on buying arms and civilian goods from the United States unless he has the revenue to make this possible. Having identified the extent to which military power promotes political leverage in foreign affairs, he said that Iran would be obliged to give up the idea of extending its influence outward and would be obliged to be entirely "inward-looking." "You and Saudi Arabia can handle the policing of the Indian Ocean," he quipped. He added that there was no possibility of naval patrolling as far as South Africa if indeed he is obliged to cancel the Spruance purchase and the development of a naval base at Chah Bahar, which he is seriously considering doing. "I will be obliged to have a purely defensive navy." The Shah ruled out

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<sup>1</sup> Source: National Archives, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE—EXDIS (2). Secret; Immediate; Exdis. Also sent to the Secretary of Defense.

<sup>2</sup> DIA Defense Intelligence Notice DIADIN 3338–75, December 19, noted that Iran's drop-off in oil sales was due to its overpricing of heavy crude oil in a market depressed by unseasonably warm weather and the economic recession in the West. (Washington National Records Center, OSD Files: FRC 330–78–0058, Iran 300–900, 1975)

military aid to other countries (cf. Lebanon) but said he would not pull out of Dhofar since his commitment to Sultan Qaboos was firm. The Shah went over in some detail the other military purchases he is intending to cancel including AWACS, AMST, the F-16, and reducing the number of I-Hawk battalions now on order. In summarizing, the Shah emphasized that he would tailor his foreign policy objectives and his military purchases entirely to the income his country derives from oil.

2. At the conclusion of his comments involving the United States, the Shah went on to say that since Britain and France were responsible for 60 percent of the oil take-off from Iran, he would be talking to those countries along the same lines that he had talked to me. He said that it might be necessary to cancel weapons purchases from Britain (cf. Rapiere Missile) and he might be obliged to cancel understandings with France for building a subway system in Tehran and nuclear power plants in other parts of Iran.

3. During course of day December 30 three approaches were made to US officials here: the Shah spoke to me, and General Toufanian, Vice Minister of War and purchaser of all Iranian weapons systems, spoke with both DefRep Von Marbod and me separately. The message was exactly the same. The application of pressure to increase oil liftings was clear.<sup>3</sup> Exactly what the Shah in the end will do is not so clear. After 33 years in power, he has endured much and has had many ups and downs. He is essentially a pragmatist and is quite capable of making unpleasant decisions when he decides they are justified. Therefore it would not be advisable for the USG to conclude that he is bluffing. He is ambitious for his country, he wants to improve the standard of living of his people, and he desires a larger role for Iran on the world scene. Nevertheless, he is not consumed by his shiny goals, and as he once said to me in another context, "The people of my country can always go back to subsisting on goat cheese as they did for centuries."

4. In light of the foregoing, General Toufanian's trip to Washington in mid-January assumes additional importance and should not be postponed if it is at all possible to accommodate him. The visit can have dis-

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<sup>3</sup> According to telegrams 12136 and 12152 from Tehran, December 15 and 16, the Shah had argued for several weeks that with rising arms prices, Iranian purchases could not proceed unless the United States prevailed upon oil companies to increase exports from Iran. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE—EXDIS (2), and National Archives, RG 59, Central Foreign Policy Files, D750436–0780, respectively) In telegram 12252 from Tehran, December 18, the Embassy commented that major oil companies were treating Iran better than most other Persian Gulf nations, and that Iran was asking the United States "to try to achieve indirectly what it knows it could not achieve directly: a reduction in liftings from Saudi Arabia to make more room in the market for Iranian oil." (Ibid., D750441–0496)

tinctly constructive aspects in bringing about reassurance on DOD performance.

Helms

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**155. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of State Kissinger<sup>1</sup>**

Tehran, January 6, 1976, 0904Z.

250. Ref: Tehran 249 and WH60016.<sup>2</sup>

1. Minister of Court Alam informed me January 6 that the Shah will not repeat not be contributing “for a while” financial assistance to Zaire for use in Angola. Alam gave further drops in consortium oil liftings as reason for Shah’s stance.

2. Have confirmed that exports of “Iranian heavy” are indeed “way, way down.” Experts here point out that “Iranian heavy” is over-priced relative to similar Persian Gulf crudes. The Government of Iran apparently refuses to adjust this price until it can get a unanimous agreement in OPEC as to what the price should be. Meanwhile, Arab producers like Iraq are not only shaving the price but are making deals “under the table” wherever possible. Therefore it is difficult to estimate when an adjustment in the price of “Iranian heavy” will bring about an increase in consortium liftings.

3. Warm regards.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 1/76. Secret; Sensitive; Priority.

<sup>2</sup> Neither found.

**156. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, January 13, 1976, 1251Z.

322. Personal for the Secretary from the Ambassador. Subj: Possible Change in Iranian Foreign Policy. Ref: Tehran 0279.<sup>2</sup>

1. In audience with another American visitor that followed on Sunday one reported refTEL, Shah covered much the same ground in similar mood. He was not threatening, but was completely serious. Rather than summarize this last conversation, prefer to extract certain themes which have reappeared during conversations with the Shah and General Toufanian during past few weeks. Person with whom Shah spoke is man of unquestioned reliability who prefers not to have his name as part of the official record.

2. First Shah does not believe that international oil companies are treating him fairly during period when Iran's petroleum exports are sharply reduced. He has heard our arguments that we cannot control oil companies in a free enterprise system, but insists that companies are increasing or maintaining their liftings from Saudi Arabia. Telling recent visitor that Vienna OPEC meeting would have made nine per cent reduction in Persian Gulf oil price,<sup>3</sup> he argues that in any event small price differential is merely oil companies' excuse not to take more Iranian crude. He maintains that USG should protect Iran's interests by using official influence with the companies. He feels that Iran deserves this attention for its helpful performance during past oil embargo. Confident that U.S. will again turn to Iran if there is another cessation of Arab oil sales, he does not like it taken for granted that Iran will automatically supply the U.S. and Europe with oil they require. Finally, Shah is impatient with pace of negotiations for direct government-to-government deal with USG. He recently told me that for over a year this has bounced back and forth like a football to no conclusion.

3. Because of reduction in oil income, Shah sees Iran's developing role as a major regional power severely restricted. He obviously feels that a strong Iran serves important strategic interests for the U.S. and

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<sup>1</sup>Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE—NODIS (6). Secret; Immediate; Nodis.

<sup>2</sup>In telegram 279 from Tehran, January 11, Helms reported to Kissinger that the Shah had impressed upon Von Marbod that the U.S. Government was forcing a change in Iran's foreign policy and that the interests of American capitalism were threatening Iran's future. The effect of reduced oil liftings and inflation in the price of military equipment, he warned, would leave Iran with a military force that was not viable. (National Archives, RG 59, Central Foreign Policy Files, P840084-0882)

<sup>3</sup>See footnote 3, Document 144.

the West. If GOI cannot afford Spruance ships, AWACS, AMST and other outward looking programs, Iran will not be able to assert its strength in interest of the Western Alliance in this region. Shah seems disinclined to settle for half measures. If cuts are to be made, he apparently plans to return to armed forces with a purely defensive role limited to Iran's territory. Important communications and air defense programs will be cut back.

4. As Iran reduces its own role as a regional power, there will be diminished opportunities for strategic cooperation with U.S. forces in this area. For example, if Spruance ships are cancelled, plans to develop Chah Bahar naval base are likely also to be dropped.

5. Another theme is Shah's doubts about American staying power during a period of rising Soviet naval strength and political influence in this region. He is clearly disturbed by Soviet gains in Angola while the U.S. appears unable to offer an effective response. He sees growth of Soviet navy in Indian Ocean and South Atlantic as an imperialistic development. With Djibouti moving towards independence, he looks for Somali dominance there and preponderant Soviet influence on Horn of Africa.

6. There is clear implication in these possible changes in Iran's orientation towards its security role in this region that U.S. will not be able to count on identity of policy with a reliable friend in Arab/Israel context and in other difficulties relating to regional states.

7. Reductions in Iran's defense expenditures will surely extend to civilian sector with substantial losses both from contract cancellations and end to planning for new projects which might have benefited American business.

8. Shah views with bitter scorn corrupt practices of agents for U.S. companies and ineffective USG efforts to deal with problem. When Commander, Deputy Commander and others in IIN were implicated in financial scandal with Italian missile producer, they were arrested and will be tried. Shah asks whether USG ever did this to senior Generals or Admirals who regularly move from key active duty posts to high positions in defense companies. Contrary to DOD regulations, Grumman obligated more than \$24 million in agents fees and USG has taken no action against firm.<sup>4</sup> Shah also suspects corrupt practices involved in

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<sup>4</sup> In telegram 12545 from Tehran, December 30, 1975, the Embassy reported that the Iranian Government had requested that Grumman sign a schedule for repayment of \$24 million in agents fees, and would suspend the next payment for the F-14 pending receipt of the schedule. (National Archives, RG 59, Central Foreign Policy Files, D750450-0056) The Department replied in telegram 6191 to Tehran, January 10, that suspension of F-14 payments to the U.S. Government would constitute breach of contract, and that payments under FMS were separate from the Iranian-Grumman arrangements. (Ibid., D760009-0378) In telegram 378 from Tehran, January 15, the Embassy noted that the dispute over agents fees was poisoning U.S.-Iranian relations and recommended that the Departments of State and Defense consider whether the United States should take a more active role in resolving the problem. (Ibid., D760015-0001)



\$2 billion project at Chah Bahar planned for British and American (Brown & Root) companies. One aspect of Iranian concern over payments to agents is belief that money returns to pockets of U.S. corporate executives. Plainly, persistence of this problem is causing severe irritation in USG–GOI relations and damaging opportunities for American business in Iran. We shall prepare separate cable on this subject.

9. Finally, Shah is disturbed with the way his business on weapons procurement has been handled by DOD. Because of price increases and problem of payments to agents, he has experienced serious loss of trust in FMS system. Perhaps in the past GOI placed unrealistic expectations on protection of its interests when making purchases through DOD. In any event, there has been abrupt erosion of Shah's confidence in our ability to offer him effective collaboration in defense procurement.

10. Wish to emphasize that in his recent conversations Shah has not given appearance of a man who is bluffing or making threats in order to achieve some limited purposes. He is as aware as we are of complexity of these problems and difficulties in reaching satisfactory solutions. In outlining possible changes in foreign policy, Shah is simply delineating consequences of reduced oil income and rising costs of defense systems. In other words, he is stating facts as he perceives them, rather than attempting to bargain with us. Am sure that you appreciate this. Should point out that if visit of General Toufanian to DOD next week does not prove helpful, Shah may begin to take some of the decisions on cancellation of equipment orders he has under review.

11. Have restricted distribution of this telegram for security reasons. Please share it with the Secretary of Defense personally if you think it advisable.<sup>5</sup>

**Helms**

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<sup>5</sup> A copy of this telegram is in the Washington National Records Center, OSD Files: FRC 330–84–0054, Box 5, Iran, General Correspondence and Notes.

**157. Memorandum From the Under Secretary of State for Economic Affairs (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, January 13, 1976.

SUBJECT

Report to the President on Proposed Oil Agreement with Iran

FEA, CEA and Defense have aligned in opposing our proposal to negotiate a bilateral oil agreement with Iran. Their relevant objections are concerns that the oil industry and the Congress will not respond as we expect. It is clear that we would face an uphill struggle in persuading the President to authorize proceeding with our proposal and a lonely task on the Hill in getting appropriations for it. Furthermore, the other agencies are advising the President that if he decides to proceed with the negotiations we should demand a firm price discount of at least \$1 per barrel, a demand we anticipate the Shah would reject as offensive.

Under these circumstances, and in accordance with your comments last Saturday morning,<sup>2</sup> I have worked out with Frank Zarb this agreed conclusion of his report to the President:<sup>3</sup>

“While State disputes some of the disadvantages outlined above, State joins Defense, CEA and FEA in concluding that a decision to proceed with the proposal should be deferred for further evaluation of the likely responses of the oil market and of the Congress.”

I have Zarb’s assurance that he will look at the questions of oil industry and Congressional attitudes in a positive way, and perhaps we can find an acceptable compromise on our proposal. It is now obvious that if there is any hope of resolving this issue it will be with FEA and not Defense.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P820117–0309. Secret; Nodis.

<sup>2</sup> January 10. Kissinger’s comments have not been found.

<sup>3</sup> Zarb’s January 13 memorandum to the President is printed in *Foreign Relations*, 1969–1976, volume XXXVII, Energy Crisis, 1974–1980, Document 92. On January 17, Scowcroft forwarded the memorandum to James Connor, with the message that it fairly outlined the advantages and disadvantages of the proposed oil deal. Although an arrangement might not be immediately possible, Scowcroft recommended that the administration move forward to resolve the outstanding issues. He supported Zarb’s suggestion that the administration try to enter an oil purchase agreement to fill the Strategic Petroleum Reserve, as mandated by the Energy Act, even though such an arrangement would be unlikely to weaken OPEC’s unilateral pricing ability. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (8))

## 158. Memorandum of Conversation<sup>1</sup>

Washington, January 19, 1976, 12:10–2:10 p.m.

### SUBJECT

Meeting with Iranian Vice Minister of War

#### *Iranian Participants*

Vice Minister of War, General Hassan Toufanian

Deputy Minister of War for Armament, LTG Abdol Majid Massumi-Nainii

Managing Director, Iran Electronics Industries, VADM Abolfath Ardalan

Counselor of Embassy, Youssef Akbar

Defense Attaché, Colonel Soltan Mohammad Etemad

Military Executive Assistant to VMOW, Major Aliakabaf Zamanian

#### *United States*

Secretary of Defense, Donald R. Rumsfeld

Military Assistant, RADM M. Staser Holcomb

Deputy Secretary of Defense, Robert Ellsworth

Chairman of the Joint Chiefs of Staff, General George Brown

Assistant Secretary of State, NEA Affairs, Mr. Alfred Atherton

Acting Assistant Secretary of Defense (ISA), Amos A. Jordan

Defense Representative, Iran, Erich von Marbod

Director, Defense Security Assistance Agency, LTG Howard M. Fish

Deputy Assistant Secretary of Defense (Near Eastern, African, and South Asian Affairs), James H. Noyes

Deputy Director, NESAs Region, OASD/ISA, Glenn E. Blitgen

### *Preliminary Remarks*

The preliminary discussions and pleasantries touched upon the following items:

—General Toufanian's invitation for Secretary Rumsfeld to visit Iran and the Secretary's response that he would enjoy doing that some time.

—Secretary Rumsfeld's visit to Tehran in 1973 while Ambassador to NATO for a regional meeting of U.S. ambassadors.

—Tehran's growth to more than 4 million people and its problems with traffic and pollution.

—General Toufanian's long career (42 years) and recall from retirement; similar cases in the U.S. military and diplomatic corps.

—Toufanian's responsibilities for military procurement since 1963 when Iran started shifting from MAP and began purchasing its arms from the U.S.

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<sup>1</sup> Source: Washington National Records Center, OSD Files: FRC 330–79–0049, Box 70, Iran 091.112, 1976. Secret. Drafted by Glenn Blitgen and approved by Jordan. The meeting was held in Secretary Rumsfeld's dining room at the Pentagon.

—Recent assistance for Toufanian from LTG Massumi who is now taking on more of the procurement activities.

—The recent death of the Chief of the Iranian Air Force, General Khatami, in a hang-gliding accident; General Toufanian's role as Khatami's instructor pilot when he first flew; also the Shah's.

—Mr. von Marbod's recent audience with the Shah which DefRep subsequently briefed to SecDef.<sup>2</sup>

### *Rationale for Iranian Defense Program*

Referring to the Shah's objectives for Iran and why he wanted a strong defense force, General Toufanian noted that parts of Iran had been occupied for a time by the Soviet Union and the British after World War II. Because of Soviet ambitions, it was necessary to strengthen Iran's defense forces with help from the United States and Iran valued the relationship with the United States.

Iran depended on its friend, the United States, and His Imperial Majesty was thankful to the United States for its help over the years. Mr. Jordan assured General Toufanian that the United States likewise valued the relationship with Iran.

But now, General Toufanian said, we are becoming uneasy about recent U.S. actions. To explain, he would present some historical background. He recalled the Shah's speech some 34 years ago when he came to power, in which he set forth his goals of achieving "human rights" for the deprived people of Iran—food, clothing, housing. In order to provide these basic needs of the people, it was necessary to develop the economy, and to achieve economic development, it was necessary to assure the security of the country. It was difficult to have security within the country without security in the region. And so Iran had been developing its defenses. Iran had no expansionist aims and had enough territory. But because of Russian ambitions in the region (he also mentioned Russian maps which divided up Iran), it was necessary to strengthen our defense forces. We started to buy our equipment as soon as we were able to pay. We were the first to go to FMS from MAP, in 1964. We adopted an outward-looking policy to assure regional security. We looked to the United States for help as a friend. And Iran has been a real friend to the United States by contributing to the development of regional security.

General Brown asked whether the border settlement with Iraq is holding.<sup>3</sup> General Toufanian said there is no difficulty at present, but we must realize that communist expansionism has no limits. As evi-

<sup>2</sup> See footnote 2, Document 156.

<sup>3</sup> See footnote 4, Document 121.

dence of this, he stated that Russian efforts were present in the division of Pakistan and the emergence of Bangladesh. He also noted the immediate appearance of the Russian Navy in Bangladesh, Soviet activity in Socotra, in the Yemens and Oman, and in Angola, Uganda and Mozambique. SecDef commented that the Soviets have been very busy. Toufania continued that the Soviets are trying to build a corridor across Africa from which to provide logistical support for their activities in Africa. He noted also the Soviet fleet of 30 ships in the Indian Ocean.

General Brown observed that Soviet activities at Berbera should be of concern to the Shah. Berbera is in a strategic position to influence shipping of oil out of the Persian Gulf and the Soviet base there is growing stronger. Mr. Noyes related his observations from his visit to Berbera accompanying a group of Senators and some journalists who inspected the area. Their visit confirmed Soviet activities to build up a base and communications installation there and the press, which had been rather skeptical, seemed flabbergasted by the experience, but had printed relatively little about the findings.

#### *Iranian Concern Over U.S. Actions*

General Toufania returned to the theme of Soviet activities in the Yemens and Socotra and asked if Iranian support for Sultan Qabus in Oman is good, then why isn't the United States supporting Iran more? Iran is putting money, manpower and capital investment into Oman and is ready to put more there, so why doesn't the United States support Iran? General Brown said he hadn't heard this before and Mr. Jordan asked whether Toufania was suggesting that the United States had been opposing Iran politically regarding its support to Oman. We were puzzled by General Toufania's reference to non-support.

General Toufania responded that he was referring to costs. The United States is increasing the prices of matériel for Iran greatly. The Spruance class destroyer is an example. The cost escalations are unreasonable. The original estimate was \$120 million for each ship. Then it jumped to \$238 million, a 100 percent increase! Now it has grown to \$338 million per ship! Spare parts prices are another example. The GOI can't tell what index these increases are based on. Some items have increased in price 100-fold. He had asked Mr. von Marbod and the MAAG for help on this issue. These escalations are really not acceptable.

#### *Agents' Fees*

General Toufania said that another problem is agents' fees. Referring to the F-14 case, he stated that he had a contract with DOD that there would be no agents' fees but then found that Grumman had paid \$6 million and was going to pay \$28 million more. From what money were they going to pay this?

By way of background, General Toufanian said that he had come to the United States in September 1973 to obtain a progress report on the F-14 and F-15 aircraft. He visited Grumman on Long Island. Retired Vice Admiral Townsend of Grumman asked Toufanian whether Grumman could place retired Navy Captain Pollard as the agent for the F-14 in Iran. General Toufanian refused, noting that Iran had made no decision between the F-14 and the F-15 and that when the GOI did decide, it would be an FMS case. He did not agree on Pollard. Then Admiral Townsend said that the agent fee could be handled as part of the overhead costs. General Toufanian took the position that there could be no agents' fees under an FMS case and went to DOD, where he talked to the Secretary of Defense, Vice Admiral Peet who then headed DSAA, Mr. Alne and to Colonel (now Brigadier General) Secord, both of the DSAA staff. General Toufanian requested that a paragraph be added to the U.S. ASPRS to prohibit agents' fees in the Iranian FMS cases. Such an instruction was issued in November 1973.

General Toufanian stated that after the GOI decided to purchase the F-14, Admiral Townsend swore in the presence of Admiral Peet and Colonel Secord that Grumman had no agents for the F-14. But we now find that several agents fight for their share of the fees. General Toufanian identified the Lavi Brothers as being involved and that Admiral Townsend had signed an agreement with them as an officer of Grumman.

General Toufanian then stated that DOD should cooperate with Iran in this matter. He again asked from what money or source of funds do these agents' fees come. From Iranian money or from U.S. money? Who accepts the argument that the fees do not come from Iranian funds? This is not correct. Either the fees come from Iranian or from U.S. contracts. It is clearly defined in our own DOD regulations that the companies must consult with the buyer when an agent fee exceeds \$1 million. Why didn't Lavi Brothers consult? SecDef asked who the Lavi Brothers are, to which General Toufanian exclaimed, "Thieves!" and then described them as a binational firm with operations in Iran.

General Toufanian then said that the Internal Revenue Service had just called on his son, a doctor, in Columbus, Ohio, inquiring about the Lavi Brothers and their relationship with the son. When the son asked who they were, the IRS agent(s) said that the Lavis had listed the son as a partner in their tax returns. The IRS wanted to know the details but departed when they were told that the doctor is General Toufanian's son. (The note taker for this memorandum also thought he understood General Toufanian to say that the doctor had received a phone call making an offer of a bribe.) (General Toufanian then repeated some of the dialogue above concerning Grumman and the Lavi Brothers, also mentioning a Mr. Oran of the Grumman firm.)

In another case involving the sale of H-53 aircraft to Iran by United Technology (formerly United Aircraft), United officials also proposed that retired Captain Pollard be utilized as an agent. General Toufanian told United he would not buy if an agent were involved and United agreed. In talks with Pratt and Whitney (a subsidiary or component of United Technology), they say they have no agents. However, Toufanian has found three Iranian nationals who are agents in this case and they have been blacklisted by General Toufanian.

Returning to the Grumman case, General Toufanian asked how SecDef can accept that Grumman pay \$28 million whether from DOD or from Iranian funds? Toufanian maintained that the GOI has all confidence in the FMS system but that he must ask unofficially whether the \$28 million goes on the price of the aircraft.

Secretary Rumsfeld responded that General Toufanian had covered a lot of ground, a lot of subjects. The Secretary had been in his new position only about two months and had not been involved in the earlier background; he would have to depend on others concerning the beginnings. He endorsed the good relationships we have with Iran and said that there is no question that to the extent he could, he and DOD would continue to work to defend that relationship. (At this point, Deputy Secretary Ellsworth entered the room, extending his apologies for not arriving sooner because he had been on the Hill.) There is no question that many things can be improved in the relationship between our defense departments.

Regarding cost increases, the Secretary continued, we in DOD encounter the same experience Iran has as we go to Congress for appropriations. Our original estimates are exceedingly low and have been increased as costs of materials and labor have increased, and Congress remonstrates with us for these changes. In addition, as technology changes, our military services want to incorporate improvements into their weapons and equipment and these changes add to the costs substantially. So the problem Iran faces, we face with our own Congress and it is a difficult problem.

Regarding agents' fees, the Secretary said he did not know the facts but he was concerned. The problem merited exceedingly close attention by our General Counsel and he would see to it. General Toufanian is aware, said the Secretary, that these are private companies, but there is no question that DOD ought to have a voice in these matters up to a certain point. He could not understand why Grumman is paying these fees. Who in the Department of Defense permitted this? We should have known it.

General Toufanian asked why Grumman had not told DOD that Grumman had added agents' fees, and if Grumman had informed DOD, then why had DOD not told General Toufanian? He was the one

who had discovered the fees. How could Grumman pay \$6 million in agents' fees contrary to U.S. ASPR? "It is your ASPR, not mine!"

General Fish explained that we have had the issue of the Grumman agents' fees under investigation and that he believed no one in DOD had been aware of the fees. When the issue surfaced, DSAA had arranged for the Defense Contract Audit Agency (DCAA) to perform an audit on the F-14 case. DCAA has completed its report and has concluded that funds provided under the F-14 contract came neither from Iranian nor U.S. sources but were paid out of company profits. DSAA has turned the results of this audit and related materials over to the Securities Exchange Commission (SEC) for further consideration.

Secretary Ellsworth pointed out that there was the matter of disclosure of the agents' fees to Grumman's stockholders required under SEC rules. General Fish added that Grumman has now made a report to the stockholders.

General Toufanian stated that Grumman says to DOD that the fees have not been charged to either Iranian or U.S. funds, but he wanted to know, then, to whom they were charged. He reemphasized that he had told Grumman there would be no agents' fees permitted. He pointed out, further, that Grumman had suddenly agreed to an increase in the agents' fees from 10 percent to 20 percent as they pertained to services in connection with F-14 spare parts. On a contract of that size, this represented a substantial amount of money.

Secretary Rumsfeld commented to General Fish concerning his statement that he did not believe anyone in DOD had knowledge of the F-14 agents' fees before the issue was surfaced, saying that seemed hard to believe, given the networks that exist in DOD.

General Toufanian stated that two payments of agents' fees totaling nearly \$6 million, one for \$3 million and one for \$2.9 million, had been made by Grumman, "100 percent against ASPR."

Secretary Rumsfeld wondered why we couldn't dig into the matter further with a view to correcting the situation. General Fish commented that we must be very precise in what we are saying or intending, noting that no agents' fee had been paid under the funding of the contract, so far as DOD knows. The Secretary replied that that was exactly his point—that we needed to know more. Mr. Jordan stated to General Toufanian that there was no question that we wanted to clear up the matter in the interests of our relationship with Iran which we value.

General Toufanian said that if DOD will support him he will go to court and cut 20 percent out of the funds for Grumman and that Grumman must be punished. "You support me; I will help you." His Imperial Majesty (HIM) is not unreasonable. When I first went to HIM to cut 20 percent in Iran's payments, he said no. He did not wish to



bankrupt Grumman after Iran had already paid \$75 million to prevent the firm from going bankrupt.

Secretary Rumsfeld asked General Brown for his thoughts on the matter. General Brown said that a lot of money was involved, that it is probably spread out in various hands and that we ought to dig into the issue. The Secretary said he agreed and told General Toufanian that he was ordering DOD and General Counsel here and now to dig into the matter further and to determine if there is something more we could do. General Fish added that the arrangements had already been made for a meeting of Grumman officials with DOD officials and General Toufanian (on 26 January) before he returns to Iran. It would be difficult to get all the books (records) on this matter (Lavi Brothers, for example). He thought Grumman was anxious to settle.

Secretary Rumsfeld said, further, that DOD and General Fish should look into the regulations and the laws to try to preclude this kind of thing and that we should work to get regulations made into law. The ITARS should also be revised. To the extent possible, we should tighten the regulations. General Toufanian thanked the Secretary for issuing these instructions.

#### *Iranian Oil Exports*

General Toufanian said there was another serious problem which dealt with the export of Iranian oil. Citing price escalations in several FMS cases, he noted that the Shah had nevertheless approved them. But the oil trust is not lifting enough oil from Iran. Oil exports have dropped by 1.5 million barrels per day under what they are supposed to lift. This situation, if not corrected, will make reductions in Iran's military programs necessary.<sup>4</sup> This will oblige His Imperial Majesty to leave his outward-looking policy and confine Iran's defense contribution to its own borders.

HIM had decided to buy six Spruance class ships to help establish security in the Indian Ocean. But if the oil exports are dropped, we must leave this program. What will happen? Who will help?

Referring to the traditional US-Iranian friendship, he commented that if some country is clearly a friend of the United States and making efforts to help her, we would anticipate that the United States would recognize this. We expect the United States to realize the difference between real friends and those who claim to be friends but embargo their oil.

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<sup>4</sup> In a lengthy undated briefing memorandum to Rumsfeld on Toufanian's visit, Jordan advised that Toufanian would press the argument that Iran would be forced to curtail its defense programs if oil exports were not increased. (Washington National Records Center, OSD Files: FRC 330-79-0049, Box 70, Iran 091.112, 1976)

When the oil embargo occurred, Iran was under some pressure but did not embargo. Some of those who did embargo are now cutting oil prices under the table. HIM is the only regional leader who announced clear support for the U.S. presence in Diego Garcia. We are afraid that gradually the U.S. will leave countries to the communists one by one and that, one day, the United States will find itself alone with its atom bombs.

If the United States will take the 1.5 million barrels of oil that Iranian exports have dropped, we can continue with our defense programs and our contribution to regional security. Otherwise we will be obliged to review our political/military policy and revise our programs either by cancellations or reductions.

We will have to cancel the Spruance program. We will not buy the AWACS. We wanted to buy six. General Toufanian was sure that DOD knows the value to the United States of the information that those AWACS could provide concerning the Indian Ocean area. Iran would not buy 300 F-16s, and DOD must realize the impact of 300 F-16s on the security of the area. They would not buy 100 AMST aircraft or join in the production of that aircraft. In addition, they would have to reduce drastically the \$10–\$15 billion electronics-communications program (Seek Switch and Seek Sentry).

Turning to the I-Hawk program (Peace Shield), General Toufanian stated that the original price for eight battalions had been quoted at \$270 million but had jumped to \$444 million when the LOA was signed; today it has reached \$800 million. Nobody in DOD can say at what level these increases will stop. We would be happy if someone could say that \$1 billion would be the end of it. HIM has told Toufanian that these increases have damaged or destroyed certain civilian programs.

In summary, General Toufanian said, we deeply appreciate the U.S. help we have received. We want to continue on a friendly basis. We have confidence in the U.S. Government, in DOD and in the FMS system. But we now have a serious problem: the cost increases, the agents' fees, and the reduced oil exports. It is really a political-military problem. If we are forced to revise our policy and programs, it is not in our joint interest. HIM feels that he must tell the United States what we think. The issue depends on what the U.S. decides.

In response, Secretary Rumsfeld said that General Toufanian had been very direct and candid. It was useful to have gained these insights into what the common problems are and to communicate in order to clarify uncertainties. The Secretary said he could understand that it is difficult to make judgments about priorities of efforts in the country's programs and that it is especially difficult when security is one of the elements to be considered. As he had noted earlier, DOD has had tremendous escalations of our own to cope with in the Defense budget as

a result of cost growths and technological growth. Other products such as oil have also gone up and that has increased our costs, too. On agents' fees, the Secretary said he was making a commitment that we would get into the matter and that DOD would deal with it in a straightforward manner on the basis of the possibilities open to us. It is in both our interests. It is also in the interest of the United States to have a healthy rather than an unhealthy Iran. The Secretary then asked Mr. Atherton if he cared to comment.

Mr. Atherton said that he endorsed SecDef's remarks. Secretary Kissinger had been informed concerning the problem and had instructed the Department of State to look into the matter. There are no easy answers. Regarding Iranian oil exports, Under Secretary Robinson is working on the question and has communicated the results of initial efforts to analyze the problem.

General Toufanian asked Mr. Atherton if he agreed that 90 percent of the profits from the oil exports will go to the West. Mr. Atherton responded that he did not have a percentage to offer. General Toufanian stated that it was possible for Iran to sell the oil to Eastern Europe but that Iran did not want to do this. Iran wants to be both our good customer and our good supplier. Mr. Jordan told General Toufanian that we are looking at the problems of increasing U.S. lifting of Iranian oil. A number of agencies are involved and the process will take time.

The meeting ended with General Toufanian expressing his thanks for our close cooperation. Secretary Rumsfeld expressed his pleasure at meeting General Toufanian and hoped that the follow-on discussions with the Services would serve to clarify the situation further.<sup>5</sup>

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<sup>5</sup> Following the meeting, to ensure clarity, Toufanian gave Rumsfeld a copy of his remarks, which was sent to the Embassy in Tehran in telegram 3542 from the Secretary of Defense, January 20. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 6, Iran Military (2))

**159. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford<sup>1</sup>**

Washington, January 26, 1976.

**SUBJECT**

Nuclear Agreement with Iran

The US has run into a serious impasse in its negotiations for a nuclear agreement with Iran. The agreement was to serve as the enabling vehicle for our supplying Iran with approximately 6 to 8 large nuclear power plants and the associated enriched uranium fuel, and for possible Iranian investment in the next US gaseous diffusion uranium enrichment plant.

*Background*

Our basic position for these negotiations was set forth in NSDM 292 (Tab D).<sup>2</sup> Consistent with those guidelines, which were intended to strengthen our nuclear safeguards, we have been seeking the right to approve where the US supplied fuel can be reprocessed and the resulting weapons-usable plutonium retained. Our objective is to preclude reprocessing and storage in wholly *national* facilities. We have, however, assured the government of Iran that we would permit our fuels to be reprocessed in Iran on a suitable *multinational* basis.

In the past, Iran also has expressed an interest in contributing up to 20% of the cost of the next, privately built US gaseous diffusion plant. Iran would then be entitled to receive 20% of the output of the plant. We have informed Iran that we would permit it to physically receive such amounts of this material as are necessary for its own reactors and for pass-through fabrication for use in third countries with whom we have agreements. The remainder of Iran's proposed share of the output, which would be in excess of such needs, would be stored in the US until actually needed in Iran or in a third country acquiring its fuel through Iran.

*Current Status*

While our first round of negotiations, which were held in Tehran last April, were positive and hopeful,<sup>3</sup> the Iranian position appears to

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 59, NSDM 292. Secret. Sent for action. Concurred in by Cannon. A stamped notation on the memorandum indicates that the President saw it.

<sup>2</sup> Not attached. NSDM 292 is Document 115.

<sup>3</sup> See Document 122 and footnote 2 thereto.

have hardened significantly in the interim. In April, the only serious issue separating the two sides was Iran's desire to assure that it could reprocess US plutonium in a national plant *if* a multinational facility could not be established. However, recently we were advised by the head of the Iranian AEC that several of our proposals have been rejected, and that the Shah is unwilling to accept any safeguards other than those required by virtue of Iran's obligations as a party to the Non-Proliferation Treaty (NPT).

Specifically, Iran has

(a) strongly criticized our desire to retain a right to veto where supplied materials can be reprocessed;

(b) indicated vigorous objections to our proposal which would have limited the amount of Iranian-owned enriched fuel that could actually be transferred for storage in that country; and

(c) expressed the desire that any assurances that we might give them as to how we exercise our proposed rights of approval over reprocessing should be incorporated in the text of the basic agreement rather than in a separate note as we had proposed.

This reaction to our proposals has placed us in the position of having to decide whether to stand firm or to modify the "extra" safeguards we have sought. Also, in the background is the prospect of an acrimonious and possibly unsuccessful attempt to obtain the required Congressional approval of an agreement with Iran which does not contain strong safeguards, particularly with regard to reprocessing. Without volunteering any specifics, the Department of State has already informed Congress that the Iranian agreement would include more rigorous controls than found in earlier US agreements.

Two additional complicating factors are the prospect that the FRG and France will be willing to supply nuclear reactors with less rigorous safeguards than proposed by the US, and the crisis we are currently experiencing in our bilateral relations with Iran. Several serious problems, particularly those concerning oil revenues and the escalating cost of US-supplied military equipment, have shaken the Shah's confidence in Iran's special relationship with the US, thereby magnifying the importance he will attach to the success or failure of efforts to obtain acceptable terms from the US for a nuclear agreement.

#### *Review of our Alternatives and Recommended Actions*

The interagency non-proliferation working group prepared an analysis of our alternatives for further negotiations with Iran (Tab C),<sup>4</sup>

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<sup>4</sup> Not attached. A Department of State options paper, October 26, 1975, which apparently became the basis for the interagency paper, is in the Ford Library, NSC Institutional Files, Box 59, NSDM 292. In addition, a summary of an undated memorandum

and agency views have been obtained (Tab B).<sup>5</sup> The most important conclusion is that found in State's memorandum. Namely, that prior to the active resumption of negotiations, an approach to the Shah should be undertaken by senior political and scientific officers, with the objective of sharing directly with the Shah the reasons why we attach such importance to the avoidance of the widespread proliferation of national reprocessing capabilities, as well as the technical and economic factors which favor the deferral for some time of reprocessing decisions abroad and the ultimate establishment of multinational or binational centers serving regional needs.

In such an approach, we would be able (1) to ascertain directly the Shah's views on the development of Iran's peaceful nuclear program, (2) to gauge whether and to what degree the Shah personally holds the view that Iran would find controls beyond those of the NPT unacceptable, and (3) to elicit his views on possible alternate approaches to international reprocessing. The approach would be on a broad philosophical level, pointing out to him the hazards to worldwide stability, in which Iran has such a major stake, if nuclear weapons or the capability to produce them continue to spread. (In this regard, the Shah undoubtedly is apprehensive about India's demonstrated nuclear explosive capacity and Pakistan's well-advanced efforts to obtain a reprocessing plant; but he would be most concerned about the future nuclear capabilities of his Arab neighbors.) We would suggest that our agreement can constitute an act of joint world leadership in dealing with the issue of proliferation in an age of burgeoning nuclear power, and could explore the Iranian idea of an ultimate strengthening of the safeguards provisions of the NPT. We would attempt, in general, to enlist Iran's positive support rather than cause it to feel that we seek to impose our will on them. It is, of course, hoped that these discussions would serve to moderate or overcome any such views which the Shah may hold, and thus to create the most favorable possible climate for the resumption of negotiations.

This proposal makes a great deal of sense since we really are uncertain as to the Shah's basic views and his flexibility. We have, most recently, not been negotiating with Iran but with ourselves.

The interagency study and the agency comments proposed a number of possible fallbacks for the US position on reprocessing, including imposition of US safeguards procedures in Iran in addition to

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from Kratzer to Kissinger entitled "Next Steps in Our Nuclear Negotiations with Iran" is in the National Archives, RG 59, Central Foreign Policy Files, P830113–0150.

<sup>5</sup> Not attached. Two of the agency views, a memorandum from Iklé to Scowcroft, January 19, and an unsigned Department of State memorandum to Scowcroft, January 13, are in the Ford Library, NSC Institutional Files, Box 59, NSDM 292.

those of the IAEA, plutonium buy-back, uranium exchange for plutonium, and guaranteed external reprocessing services. However, we are not at all sure if these fallbacks address the Shah's main concern. Also, the fallbacks are not agreed among the agencies, and to resolve that problem now would require a detailed, controversial decision by you on a US position that might not be acceptable to the Shah.

It seems much more sensible to sanction the proposed talks, allow some flexibility in the exploratory discussions, and thereby ascertain with more accuracy the alternate approaches to the reprocessing question that may be necessary to reach agreement with Iran. We would then be in a position to judge the acceptability of these alternatives in relation to our own non-proliferation objectives, and to make some soundings on the Hill. We would, after these steps, seek your decision on a definite proposal which would be expected to be acceptable to Iran and to have a fighting chance in Congress. *The agencies are now agreeable to this approach*, and I recommend it to you.

All agencies also agree that:

—We should allow Iran to receive and store all enriched uranium to which it might be entitled by reason of an investment in US private enrichment firms (UEA or prospective centrifuge enrichment companies), as long as any retransfer is to countries with which the US has an appropriate agreement for cooperation. (This step should improve the outlook for Iran's investment in private US ventures, which will increase the chances that they can get off the ground and make private enrichment a reality.)

—We should determine that Iran still has a serious interest in acquiring US nuclear equipment and material, and that our negotiation is not just an exercise.

The above decisions are embodied in a memorandum (Tab A)<sup>6</sup> which has been coordinated with the agencies.

In reviewing this memorandum, Jim Cannon expressed concern that US efforts to deter proliferation by advancing the concept of multinational reprocessing might constrain our policies with respect to the development of our domestic reprocessing industry. Jim Cannon and I have agreed that our efforts on the multinational concept will in no way restrict the development of our domestic policy with respect to reprocessing, restrict our choices as to the respective roles of industry and government in that industry, or commit us to the involvement of other nations in financing and ownership of our US centers. The decision memorandum at Tab A reflects this separation of our international and domestic efforts vis-à-vis reprocessing.

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<sup>6</sup> Not attached.

*Recommendation*

That you approve my signing of the memorandum at Tab A.<sup>7</sup>

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<sup>7</sup> Ford initialed his approval of the recommendation.

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**160. Memorandum From David Elliott of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, January 30, 1976.

SUBJECT

Meeting with Jim Cannon on US/Iran Nuclear Agreement

You are scheduled to meet with Jim Cannon to discuss the question of reaching an agreement with Iran on nuclear cooperation. This agreement would be a vehicle for selling between 2 and 8 nuclear reactors and the associated enriched uranium fuel and for a possible 20% Iranian investment in the private UEA gaseous diffusion uranium enrichment plant that may be built in the US.

*Status of Negotiations with Iran*

As detailed in Action-7742,<sup>2</sup> our negotiations with Iran have faltered on two points:

—Whether Iran would be allowed to stockpile large quantities of its surplus UEA fuel in Iran, or whether we would hold the stockpile here to insure that Iran did not transfer that fuel to unacceptable third countries.

—Whether the spent fuel coming out of the US supplied reactors could be reprocessed in Iran. Based on our policy to discourage the proliferation of independent national reprocessing facilities, we have told Iran that we would approve such reprocessing only if the plant were *multinationally* owned and operated. We would accept, as a minimum

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 60, Log Number 7600599, Scowcroft Meetings. Secret. Sent for information. Scowcroft initialed the memorandum

<sup>2</sup> Document 159.



commitment, a *binational* plant, if a company of one of the major nuclear supplier nations, including ourselves, was the partner with Iran.

Since our last negotiating session, the head of the Iranian AEC has told us that not only are the above conditions unacceptable, but that the Shah has, as a matter of principle, indicated his unwillingness to accept any restraints that go beyond his obligations as a Non-Proliferation Treaty party. In other words, Iran should be free to reprocess and retain *plutonium* in any amounts it chooses, as long as IAEA safeguards are applied.

#### *Current US Non-Proliferation Policy*

The two essential features of our non-proliferation policy, *which all agencies support*, are to guarantee that all nuclear facilities supplied by the US are under international safeguards, and to control the spread of independent national reprocessing facilities. Reprocessing facilities are difficult to safeguard (see below) and provide any nation with ready access to weapons-useable plutonium. Our main idea is to keep access to plutonium limited to a few states, and those states should either be weapons states or highly stable politically.

We cannot, however, deny reactor owners the ability to reprocess their fuel and to use the recovered plutonium for refueling. Therefore, it has been our position that reprocessing services—when they are needed on a world-wide basis 10 to 20 years from now—should be provided at a few sites spotted around the world; e.g., US, Japan, Iran, and Europe. The plutonium, mixed with uranium, would be returned to the reactor owner as new fuel rods only when needed for refueling. This arrangement would satisfy many states who simply want reprocessing services to be available on a commercial basis. However, there are other countries who may feel that they want to be *involved* technically and financially in all aspects of the nuclear fuel cycle. (This desire has led to certain states becoming investors in the 3 or 4 *enrichment* plants that are planned or under construction.) In order to satisfy the same desire with regard to *reprocessing*, the US and others have proposed that when the large reprocessing facilities are finally needed, there should be an opportunity for other countries—besides the host country—to be investors and play a role in the management and operation of such plants. This is the multinational region fuel center concept now under study in the IAEA and within our government. Such multinational facilities have an added non-proliferation advantage since foreign participation tends to make it more difficult for the host country to carry out a program of undetected clandestine diversion, and would be an inhibiting factor in considering the abrogation of safeguard agreements and expropriation of a plant and its plutonium stockpile.

Our non-proliferation position has been developed over the past year-and-a-half, and was the subject of three NSSM's and two NSDM's. (Contrary to the implication in Cannon's memorandum (Tab A),<sup>3</sup> all agencies support it strongly. This includes State, Defense, ACDA, ERDA, and CIA.) Besides our suppliers conference agreement, we have had two recent successes of our policy. Korea has agreed to cancel its national reprocessing plant, and intelligence sources indicate that Giscard has placed a moratorium on further French exports of reprocessing technology. This latter is particularly satisfying since France has been the slowest to appreciate the proliferation dangers in international nuclear commerce.

Finally, some people contend that the application of safeguards is adequate protection in reprocessing plants, and we need not try to deny access to reprocessing technology. However, safeguards were devised to protect reactors and have *never* been applied on a large scale to a reprocessing facility. There are many experts that are dubious that safeguards can be effectively applied to reprocessing plants and that the risk of sizeable undetected diversion of plutonium is a real concern. This is another factor motivating our policy to control the spread of reprocessing plants, until we can gain some knowledge by trying out the safeguards in US reprocessing plants that are coming on line.

*What We are Trying to Accomplish in Iran*

Iran is considered to be a possible site for a regional multinational reprocessing center for the Middle East. This position is not devoid of risk since Iran appears stable only by comparison with its neighbors, and its political complexion could change overnight. However, all of the agencies agree that we should be prepared to accept Iran as a potential reprocessing site, with the caveat that the facility should, as a minimum, be co-owned and co-managed by at least one of the major supplier nations. There is a possibility (or hope) that since Iran's need, and certainly its neighbors' needs, for reprocessing will not develop for at least 10 years, and in the meantime reprocessing services may be available elsewhere on an attractive basis, that Iran may choose not to exercise the option of constructing a multinational facility within its own boundaries. On the other hand, regardless of the economics, Iran might choose to go ahead for reasons of prestige.

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<sup>3</sup> Not attached. Connor forwarded a memorandum by Cannon to Scowcroft, January 28, that reads: "There seem to be legitimate questions in the nuclear industry and in domestic agencies as to whether the concept [of a multinational reprocessing plant] is workable, how it would be carried out, and its impact on domestic policy and objectives." (Ford Library, NSC Institutional Files, Box 60, Log Number 7600599, Scowcroft Meetings)

*The Current Proposal for Further Negotiations with Iran*

All agencies now agree that (if Iran will restrict its reexports to countries with which we have agreements for cooperation)<sup>4</sup> the risk connected with permitting Iran to stockpile low enrichment uranium is acceptable, and the proposed decision memorandum would permit our negotiators to offer that concession at an appropriate time in the negotiations. All agencies also agree that we need to ascertain as clearly as possible the Shah's views on these nuclear issues, and that we should explain to the Shah the reasons for wanting to control the spread of independent national reprocessing facilities. It is hoped that such a dialogue would either remove his objection to our position, or possibly lead to another alternative which would be mutually acceptable.

We have received indications from Tehran that they want to hold further discussions, and we are therefore pushing to get the decision approved sanctioning a high-level meeting with the Shah. Both HAK and Robinson have made the point recently that this unresolved nuclear issue is having a souring effect on other aspects of our relations with Iran, and they would like to see quick action.

*Enter the Domestic Council and Jim Connor*

In trying to forward this package to the President, we have run up against some objections on the part of the Domestic Council and Jim Connor personally. Jim Cannon's views are expressed in a memorandum at Tab A, but I have not been exposed to Connor's position. I must say, frankly, that neither of them have been involved in our work on non-proliferation or the Iran negotiations, so their views in this matter will necessarily be limited and quite possibly overly influenced by the nuclear industry view—particularly that of UEA who has been in fairly constant contact with Connor regarding the President's pending Nuclear Fuel Assurance Act. The general thrust of their objection is that our attitude toward reprocessing is unrealistic and inhibiting to the conclusions of Iran's commitment to UEA, which is vital to the successful achievement of private enrichment and reprocessing in the US. I am not sure what they would propose as a substitute, particularly since the President has enunciated our non-proliferation policy through NSDM 255<sup>5</sup> and 292; the Secretary of State has committed the US to this policy in the UNGA in September; we have just concluded an agreement between major suppliers to discourage national reprocessing plants and to encourage a few multinational facilities; and finally, the Administration witnesses (Ingersoll, Iklé, and Fri) are ap-

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<sup>4</sup> The phrase in parentheses was added by hand.

<sup>5</sup> NSDM 255, "Security and Other Aspects of the Growth and Dissemination of Nuclear Power Industries," June 3, 1974.

pearing today to testify on S. 1439 to reiterate the US policy toward international reprocessing.<sup>6</sup> We are not free to fall off this policy on the whim of two people in the White House.

One theme that Cannon may stress is that since the multinational concept is only now under study, we cannot expect US business interests or Iran to commit to an arrangement when it is so undefined and possibly impractical. We agree. But no such commitment is needed now or for many years to come—during which time the concept may be proven feasible or not. If a few multinational plants are not workable, we would then probably have to fall back to permitting reprocessing only in certain national plants in the US, Europe and Japan. It is because of uncertainties like this and others that we want to avoid an unqualified agreement that would permit reprocessing in Iran. We want to retain a right of future approval so that we can cope with unforeseen events.

It is the view of the agencies that an Iranian agreement for cooperation which contains *no* special control on reprocessing would be disapproved by Congress, and the President would be criticized as being irresponsible in nuclear matters. Since the prospect for obtaining reactor business in Iran, and a UEA investment, depends on obtaining Congressional approval of an agreement, Cannon and Connor should be siding with us rather than fighting us.

Also involved in this issue is the broader question of the extent to which foreign policy should be shaped by domestic considerations, and you may want to address this problem.

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<sup>6</sup> The Senate Committee on Organization was holding hearings on S. 1439, Export Reorganization Act of 1976.

**161. Research Study Prepared in the Office of Political Research,  
Central Intelligence Agency<sup>1</sup>**

PR 76 100171

Washington, February 1976.

**THE IRANIAN ELITE****Summary and Conclusions**

Iran's importance need not be stressed. A major oil-producer and one of the most influential states in OPEC, it aspires to a position of power and influence. This paper is not focused on its political and international prospects<sup>2</sup> but rather attempts to portray and to analyze the people who run Iran, dominate its politics, control its businesses, set its cultural and moral standards and even try to change its ways.

Requisites for elite status in Iran are the traditional ones of family connection, influence in patron-client relationships, wealth and education. In this century education has become more and more Western in thrust, bringing on conflicts with values developed over the centuries by a society which has absorbed, been changed by foreign influences, but never overwhelmed by them. The contemporary Western-educated Iranian bureaucrat often finds on return to work in his homeland that he is facing, and perhaps being frustrated by, an institution far older than the Harvard Business School. The analysis below tries to portray the Iranian elite as it now exists and functions, and to convey some understanding of how it will perform in the years ahead.

At the top of the elite structure is the Shah, by virtue both of his position as monarch and of his personal power. The centuries-old Iranian tradition of kingship has been stronger than any dynasty or of any individual ruler. Iran without a monarch to rule and protect the nation against outside enemies, would be, for most of its people, a contradiction in terms. Acceptance of the monarch, however, has been coupled with a willingness to accept the elimination of an individual shah who was unable to defend himself or the nation. The incumbent, Mohammad Reza Shah, acceded to the throne in 1941. The somewhat insecure son of a tyrannical and domineering father, he has developed remarkably in the years since. For a third of his reign, he was dominated by others and frustrated by his lack of power to carry out his decisions. For another third he engaged in a successful struggle to establish his

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<sup>1</sup> Source: Central Intelligence Agency, DI/OCI Files, Job 79T00889A, Box 6, Folder 9. Secret; [handling restriction not declassified]. An addendum entitled "A Word on Elites" is attached but not printed.

<sup>2</sup> These are addressed in, inter alia, NIE 34-1-75, "Iran," 9 May 1975. [Footnote in the original. NIE 34-1-75 is Document 121.]

dominance. For the last third he has been clearly in charge and is now so strong that his word is law.

In Iran's clearly defined social structure, families count for much; that is, those families whose members compete to carry out the Shah's decisions, and who are themselves powerful. There are some 40 national elite families whose members move from government to political to private pursuits and back again with facility. There are an additional 150 or so families of major but not national importance. These numbers are not fixed; families' fortunes rise and fall according to luck, connections, and the skill of their representatives. Nearly a quarter of today's top families were powerful and influential under the dynasty that the present Shah's father overthrew 50 years ago.

The royal court has traditionally been a hotbed of byzantine scheming. [3 lines not declassified] The Court's tone has been much improved since the Shah in 1959 married a woman from one of the lesser branches of a national elite family. French-educated Queen Farah takes a personal and constructive interest in the working of the Shah's programs of social and economic reform.

Together with his family, the Shah is also surrounded by a host of officials and hangers-on. He appears to rely on a small group, perhaps a dozen persons, in whom he reposes special confidence and on whom he depends for information and whom he uses as channels to various groups in the society. While these people have official positions, their status with the Shah is for the most part independent of job title and totally dependent on their closeness to him. Of these dozen, three represent national elite families, although this is not their chief asset. Long friendship and faithful service are essential attributes. For example, Minister of Court Alam of a national elite family, has been close to the Shah for 40 years, and General Fardust whose father had been a sergeant, has been a friend for 50 years. Although surrounded, the Shah is alone, to the best of any observer's knowledge. He seeks information. He does not seek advice, and few in Iran would dare to give him any. He decides; others execute.

The successful execution of the Shah's programs requires a bureaucracy possessing a variety of skills. Lawyers, engineers, economists and medical doctors predominate; those educated in the political and social science are scarcer. A prerequisite for the opportunity to exercise one's skills is loyalty to the Shah combined with self-restraint in political ambition—a factor which becomes important at the higher levels where an official might be in a position to develop an independent political base. There seems to be a considerable number of educated, competent individuals who refuse to work for a regime of which they disapprove or, if they are employed, work at less than their full potential.

The career of Prime Minister Amir Abbas Hoveyda illustrates the limitations of ambition and power. Hoveyda's unprecedentedly long tenure in office (11 years) can be attributed to:

- the ability to maneuver among the conflicting personal ambitions of other officials who are in at least covert competition for his job;
- the ability to avoid any serious errors in interpreting and carrying out the Shah's wishes and, perhaps more important;
- the ability to play second fiddle to the Shah.

This last point has been the downfall of previous politicians, for a prime minister strong enough to be effective has usually ended up believing he is more competent than the Shah to make important decisions. Hoveyda has not yet fallen into that trap.

The cabinet of today is a classic example of how an important Iranian institution, the *dowreh*, works, in this case to the advantage of several young politicians, Hassan Ali Mansur, Amir Abbas Hoveyda and their friends. (The *dowreh* "circle" is an informal associational group often cutting across class lines, formed for social reasons, e.g., card playing, for literary or professional discussions or simply for amiability. A well-established *dowreh* provides a forum for the exchange of information and opinions and a means of promoting the political and economic fortunes of its members.) Mansur had already been a cabinet minister, when he gathered in 1959 a youngish group of middle-level bureaucrats interested in the problems of Iranian development. Within two years the group had expanded and became the Progressive Center, at which point the Shah gave his blessing. The establishment reformism the group indulged in seemed to dovetail with the plans he was formulating, and, in 1964, Mansur became Prime Minister and the Progressive Center transformed itself into the Iran Novin Party. Mansur was assassinated in 1965 by a religious fanatic. *Dowreh*-member Hoveyda, the Minister of Finance, was appointed Prime Minister. Two other ministers in the present cabinet were original members of Mansur's *dowreh*; three more have served in Hoveyda's first cabinet. Several of the cabinet ministers are in competition with each other and with Hoveyda, seeking a dominant position with the Shah, within the cabinet or in the various programs. This rivalry is encouraged by the Shah, who uses it as a mechanism to prevent any single individual from gaining too much personal influence.

Parliament has its role to play in the Shah's system of government, although not as the legislative body that the term parliament implies. In the absence of an authoritarian ruler, the dominant interest in a constituency has generally dictated the choice of deputies. Local landlords, merchants, tribal leaders, religious leaders or their representatives have usually been selected. In constituencies where these were weak, the army, the prime minister or the Royal Court might predominate. Some-

times these forces cooperated; sometimes they competed. During periods when the parliament was relatively free from royal control, e.g., 1906–1923 and 1941–1960, it was rent by factionalism and by the competing interests of those groups who had manipulated the elections.

During the last 12 years parliament has been a tool of the Shah. In 1961, frustrated in an attempt to get a land reform bill through a landlord-dominated parliament, he dissolved that body declaring that it had been elected through rigged elections. That was true, but it was not news, since the same statement could have been made for nearly every parliament. It served the purpose that the Shah wanted, however. His land reform bill was enacted by decree and, when parliament was once more elected nearly two years later, all the deputies—carefully chosen by the Shah—were enthusiastic supporters of his programs. This has been the pattern ever since. The public retains its traditional skepticism toward elections, but membership in parliament is still sought and prized. It provides an opportunity for personal advancement, gives one local prestige and does provide a channel by which grievances can be expressed and through which favors can be sought and granted.

Probably no group is more favored by the Shah than his officer corps. Special privileges such as pay differential, subsidized housing, education and low-price stores are designed to make the military—traditionally not held in high repute—an attractive profession. Not only professional competence but also skill in military politics are essential for advancement to the higher ranks. Having the confidence and the ear of the Shah are keys to success and, as in the civilian bureaucracy, political ambition or the too enthusiastic promotion of a policy the monarch has not approved is dangerous to an officer's career.

Elite families were once heavily represented in the officer corps; such representation could help protect the family and its interests. From the scanty evidence available, it appears that more and more men from the middle, and even the lower, classes are coming into the officer corps. At company and lower field grade, the officers probably still think and react in much the same way as the non-military in the same class. By the time a man has reached general's rank, however, he is likely to have absorbed the attitudes of the elite in general and, indeed, may have assured his position in the traditional manner, by accumulating wealth, making the right marriage—or a less formal liaison—and securing a circle of friends, acquaintances and family who can help him.

A new elite class with a potential for challenging the traditional system may be in the process of formation. Described by an academic investigator as the bureaucratic intelligentsia or the professional middle class, it is characterized by its members' rejection of traditional



power relationships and dependence on modern education and skills as means to establish their own influence. This element is receptive to a wide range of experience and ideas outside the traditional ones and, for the most part, rejects Islam as a guide to life. This class includes professionals of all kinds—doctors, lawyers, teachers and bureaucrats as well as artists, writers and poets who often serve as its spokesmen. The more vocal of this group see themselves as opponents of the Shah, as the vanguard of a modernizing, democratic force which will change Iranian society by sweeping away the traditional order. It is not yet evident that this group will emerge as a relatively homogenous, self-conscious class. It may rather fragment with its more ambitious members becoming part of the traditional elite, others accommodating to a middle class status with little power, and a small number pursuing active opposition on the fringes of Iranian society.

Many of the members of this potential elite are the persons to whom the Shah must turn to carry out his programs. The Shah clearly recognizes his problem and chooses his people carefully. A member of this group can get ahead only by playing the game, but by doing so (by permitting himself to be co-opted) he supports and strengthens the system. The Shah has successfully co-opted many who formerly, and perhaps still secretly, would rather see the monarchy reduced to a figurehead.

The Shah's ambitious industrialization plans seem certain to bring a new element into the elite. The large entrepreneurs, businessmen, merchants and financiers are the sparkplug of the private sector. A few families, interrelated in many cases, seem to predominate. For the most part, they are not the same as the 40 families and the traditional political elites, but they do have connections with them which are of value to both. Even a partial picture of these business, professional and political relationships is difficult to draw on the basis of present information.

The Shah's attempt to control inflation and profiteering has resulted in arrests, imprisonment and fines not only for small shopkeepers accused of overpricing but also some of Iran's most prestigious—if not most honest—businessmen. This campaign, together with a decree mandating the sale of stock in private concerns to the workers and to the public has created a climate of uncertainty which, if not dispersed, could have a serious effect on investment in the private sector.

Iran does have some who have resorted to violence to destroy the Shah and his system.<sup>3</sup> There are not many in this category and, barring

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<sup>3</sup> According to telegrams 738 and 866 from Tehran, January 25 and 28, a new terrorist group was making headlines in this period, *Cherika-ye-Feda-ye-Khalk*, the

a successful attempt on his life, the terrorists do not threaten the stability of the regime or the Shah's programs. The present violent opposition is embodied in an organization, Mujahadin-e-Khalq, the "People's Warriors," composed of the religious community and Marxist/Communists who have submerged their antipathy to each other in the interests of attacking a greater target, the Shah and the system he represents.

The monarchy as an essential feature of Iranian existence is a concept which is likely to be destroyed eventually by more widespread education and by exposure to other political concepts, systems and customs. If the monarchy is accepted by the bulk of the population, for much of the educated minority, the monarchy has already lost its meaning. If they accept Shah Mohammad Reza Pahlavi it is for reasons other than the venerability of the institution he represents—a desire for personal security and advancement or the lack of any effective alternative. The clergy would probably not prefer the elimination of the monarchy but would be happy to see the present Shah go. For them a secular government would be as dangerous as the present Shah, but in the eyes of the religious leaders Mohammad Reza has betrayed an essential element of his role, protection of Islam. The present generation of religious leaders, moreover, seems to be convinced that the Shah, as his father before him, is determined to destroy Islam in Iran.

At age 56 the Shah seems very aware that he has a limited time to establish his policies firmly enough to be irreversible. A return to landlordism, at least in its old form, is unlikely; industrial development is likely to go ahead with or without the Shah, and programs of more widespread educational opportunities would be an imperative for any government. How effective such programs would be under the Shah's designated successor—Crown Prince Reza Cyrus, now 15—can only be conjectured. The Shah has not lavished great praise on his son's potential; the most he has found to say is that a king of the future could do a great deal if he were willing but on the other hand, "we are fixing things so he can do no harm."

This Shah has dominated Iran so completely that trying to project the behavior of the elite into a time when he is gone is most difficult. Lacking a strong authoritarian leader the divisiveness which has always been a characteristic of Iranian society is likely once more to predominate. Personal and family loyalties still take precedence over institutional loyalties and the scramble for political power which has so long been suppressed will re-emerge as a major factor. Even the Army, potentially the most powerful institution in Iran is not likely to escape

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People's Sacrifice Guerrillas. (Both in National Archives, RG 59, Central Foreign Policy Files, D760028–1026 and D760033–0277)

the personal competition which would reduce its effectiveness as an instrument of any single individual. The scope of relations between high-ranking military officers on one hand and the political or industrial elites on the other is not known. Such linkages are inherent in the nature of Iranian society but their effectiveness in any particular situation would depend on the personalities involved. Even the professional-bureaucratic intelligentsia, the one new group which might eventually produce a structural change in Iran's centuries-old system remains an uncertain quantity. What does remain more predictable is a continuation of the traditional competition between two major factors—an authoritarian leader dominating or sometimes dominated by a group of competing, power-seeking elites.

[Omitted here is the body of the report.]

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**162. Memorandum by the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, February 4, 1976.

MEMORANDUM FOR

The Secretary of State  
The Secretary of Defense  
The Director, Arms Control and Disarmament Agency  
The Administrator, Energy Research and Development Administration

SUBJECT

Next Steps in our Negotiation of a Nuclear Agreement with Iran

The President has reviewed the study of November 20, 1975, regarding the negotiation of a nuclear agreement with Iran,<sup>2</sup> and has noted the comments and recommendations provided by the addressees.

The President is anxious to see negotiations of the civilian nuclear accord resumed with Iran under terms that will clearly foster US non-proliferation interests, promote US–Iran interests, advance our domestic nuclear objectives, and stand a good chance of mutual ac-

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 59, NSDM 292. Secret. A copy was sent to the Chairman of the Joint Chiefs of Staff and the Director of Central Intelligence.

<sup>2</sup> See footnote 4, Document 159.

ceptance. He also believes any moves taken by the US to accommodate Iranian concerns should be taken in the light of a clear perception of Iran's principal problems with past US proposals as well as a clear understanding as to whether Iran still desires to transact much of its nuclear business with the US if a nuclear agreement can be concluded.

The President has noted the range of possible modifications to the current US position that ultimately might prove necessary to reach an agreement based on the above objectives. He has, however, decided to reserve his judgment as to the final position that the United States should take on the substance of the proposed agreement, while approving the proposal that the State Department and ERDA should promptly send a high-level team to Tehran.<sup>3</sup> This team should seek to clarify the Shah's concerns with the US position and to expose the Shah and others (1) to the reasons for the US interests in discouraging the establishment of completely national reprocessing facilities in Iran and other countries, and (2) to the technical and economic factors which militate against a near-term decision to reprocess in Iran. The talks would be exploratory in character during which the US team would endeavor to induce Iran to join with the US in an act of leadership designed to discourage the spread of independent national reprocessing facilities. In this regard, we would favor a commitment to the multinational concept but would be prepared to explore with Iran other techniques for achieving the same objective.

The US representatives are authorized to inform Iranian officials whenever they deem appropriate that the US would allow Iran to receive and store, under effective safeguards, all of its entitled share of the low enriched uranium that it might purchase through investment in a US facility. Retransfer of this material would be restricted to those countries with which the United States has an appropriate agreement for cooperation.

Following these high-level talks, and any further discussions required to sharpen our understanding of Iran's position, a report should be submitted to the President describing those alternate approaches which would be consistent with our objective of avoiding the spread of national reprocessing facilities while permitting us to reach an agreement on nuclear cooperation with Iran. The implications of these alter-

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<sup>3</sup> Telegram 39606 to Tehran, February 19, notified the Embassy that the team would be composed of Seamans and Maw, accompanied by Kratzer and Sievering. (National Archives, RG 59, Central Foreign Policy Files, D760061–0434) The team met with the Shah on February 23, carrying a letter from Ford, dated February 21, that emphasized the U.S. desire to reach an agreement with Iran and argued that Iran and the United States had a unique opportunity to provide international leadership on non-proliferation. (Ford Library, National Security Adviser, Presidential Correspondence With Foreign Leaders, Box 2, Iran—The Shah (1))

natives should be assessed in light of our non-proliferation and other objectives, and the prospects for Congressional approval. The report should include agency recommendations.

In light of the extensive analysis that has already been carried out, there should be little delay in the preparation of this report, for the President wishes to avoid any long hiatus between the discussions with the Shah and the resumption of detailed negotiations.

The President wants efforts to continue on a timely basis in assembling the technical and economic data needed to evaluate the multinational reprocessing concept. In this connection, he believes that the efforts underway to develop our domestic reprocessing industry will provide an important source of information and he expects the evaluation of the multinational concept to draw upon that information. He wants it understood that our efforts to deter proliferation by promoting the multinational concept in our international negotiations should in no way restrict our domestic policy with respect to reprocessing or the way we develop our domestic industry.

**Brent Scowcroft**

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**163. Memorandum From Secretary of State Kissinger to President Ford<sup>1</sup>**

Washington, February 11, 1976.

**SUBJECT**

Message for the Shah of Iran

The Shah of Iran has, during the last six to eight months, come to realize that, in spite of a dramatic increase in Iran's income from oil since 1973, his expected revenues will not meet the costs of his ambi-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Correspondence With Foreign Leaders, Box 2, Iran—The Shah (1). Confidential. Scowcroft forwarded Kissinger's memorandum to the President under a covering memorandum, February 16, that reads: "Relations with Iran have suffered some strains in recent months because of our inability to help Iran in two important inter-related areas—escalating costs of U.S. arms and insufficient oil revenues to meet these and the overall costs of Iran's ambitious military modernization program. More generally, the Shah remains concerned about the reliability of the U.S. commitment to its friends and allies around the world. It is important that the Shah be reassured of our commitment to a sound and special relationship with Iran, despite periodic differences on some issues." (Ibid.)

tious civilian and military development programs. In the fourth quarter of 1975, Iran's exports of heavy crude oil plummeted by about 1.5 million barrels per day. In the last few weeks the Shah has made a series of direct and indirect approaches to us seeking the assistance of this Government in putting pressure on American oil companies to increase their purchases of Iranian heavy crude oil. He has suggested that, if Iran's oil income does not rise to meet his development spending plans, he will have to revise his foreign policy to fit the country's more modest financial capabilities.

Our studies have led us to the conclusion that the current world demand pattern for oil—particularly the heavy crudes—probably makes it impossible for us to be of any substantial assistance in increasing Iran's oil income. We are also unable to be of any assistance to Iran in the related problem of the high and steadily advancing cost of sophisticated defense equipment. We note, incidentally, that a decision by the Shah to slow the pace of his defense development program would have the positive aspect of permitting Iran's strained manpower and infrastructure to catch up with equipment procurements.

In the circumstances, I believe a damage-limiting effort is in order to reassure the Shah that our inability to be of assistance in his current problems has not diminished our interest in maintaining and expanding our special relationship with Iran. An expression of your personal sympathy with the Shah's concerns would be a major element in such an effort. We are studying other steps to take in support of this effort.

*Recommendation:*

That you approve the attached message for transmittal to the Shah.  
[Tab A]<sup>2</sup>

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<sup>2</sup> Brackets in the original. Tab A is not attached. There is no indication of whether or not Ford approved the memorandum, but on February 18, he sent a letter of reassurance to the Shah, noting that he was "completely understanding and sympathetic of your efforts to achieve, within Iran's resources, the appropriate balance between Iran's economic development and security objectives." Ford also expressed pleasure that Vice President Rockefeller would be visiting the Shah to exchange views on furthering cooperation. (Ibid.) Rockefeller reported in backchannel message Tosit 6, March 24, on his 3-hour meeting with the Shah, who discussed international issues and, briefly, the oil deal. (Ibid., NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 5, Iran (5))

**164. Memorandum From the Under Secretary of State for Economic Affairs (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, February 13, 1976.

**SUBJECT**

Your Breakfast with Ansary—Boston, February 15, 1976

I believe Ansary has two main subjects to raise with you:

*1. Additional oil sales to the United States*

As reported in my memorandum of February 4 (attached)<sup>2</sup> the Shah and Ansary have diverted their attention away from a government-to-government oil deal and to a series of private deals running through major U.S. military and industrial equipment manufacturers to U.S. independent oil companies. This approach could avoid a Congressional debate over appropriations for USG purchases and over the whole Iranian oil and arms issue, and enable the Iranians to achieve greater additionality of oil sales than our bilateral deal promised.

Chief executives of five arms manufacturing companies interested in major sales to Iran are being invited by Vice Minister of War Toufarian to come to Tehran and discuss with the Shah and others a vaguely hinted arrangement involving oil and arms contracts. Officers of these companies—General Dynamics, Litton, Boeing, United Technologies, and Westinghouse—have called on General Fish and me to explore the idea and get our advice before responding to Tehran.<sup>3</sup> Chairman Lewis of General Dynamics, who is more positive about the idea than the other companies, plans to go to Tehran next weekend.

DOD has told the companies it has no objection to the arms-for-oil idea so long as it is simply a means for Iran to generate dollar bank ac-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P860112–0171. Secret; Nodis; Sensitive.

<sup>2</sup> Attached but not printed. The memorandum reported on Robinson's meeting with Ansary in New York on February 3, arranged in response to Iran's deep concern about its falling oil liftings, as conveyed in telegram 694 from Tehran, January 24. (Ibid., [no film number]) In telegram Tosec 10247/18839 to Kissinger, January 24, Robinson reported that, to alleviate the Shah's suspicions that the United States was stalling on the bilateral oil agreement to affect his negotiations with the oil consortium, he asked Helms to assure Ansary that the U.S. delay on a proposal was due to the inability to gauge Congressional reaction during the recess. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–153, Iran, Chronological Files, 1 January–14 April, 1976) Robinson's request to Helms was sent in telegram 15124 to Tehran, January 21. (National Archives, RG 59, Central Foreign Policy Files, P840086–0284)

<sup>3</sup> The memorandum of conversation of Robinson's meeting with the defense contractors, February 12, is *ibid.*, P840042–1498.

counts of the GOI to pay DOD/FMS for equipment made by the companies, in the usual manner. The deals must be strictly between them and the GOI. They will not affect State–DOD decisions on types and quantities of munitions or DOD pricing.

I have told the companies that I believe you would applaud arrangements by them to increase Iran's share of the U.S. oil market and to help restore Iran's financial capacity to carry out its regional defense mission and its industrial modernization. I emphasized, however, that the decision was up to their individual business judgment. I said I believed they could find a role that would satisfy the Shah without their taking major financial risks as middleman in a strange business, but this is yet to be seen. They should hire experts in international crude oil marketing before making any commitments.

The companies are puzzled as to what role the Iranians have in mind for them. None wants to get into the oil business. They are skeptical that U.S. independent oil companies would buy from them, rather than directly from NIOC, unless Iran is willing to use the U.S. industrial companies' participation as a cover for oil price discounts. They fear some form of barter proposition in which the Shah would try to link arms and oil prices. I agreed that this is a proposition they would have to reject because a substantial element of their pricing of military hardware is beyond their control—dictated by the U.S. armed services.

I suggest that you encourage Ansary to think in terms of an agency role for the arms companies rather than the role of long-term contractor for oil. You may need to explain to him why we must avoid USG involvement in the design and execution of these deals, whatever form they ultimately take, because of the risk of uninformed Congressional reaction like Friday morning's *Washington Post* editorial.<sup>4</sup>

#### 1—A. *Bilateral Oil Deal*

Ansary also may argue that any deals they may make with U.S. arms manufacturers are only supplemental to a bilateral oil agreement, which he still wants. I assume you will want to temporize on this matter, making him realize that it is in the Shah's interest as well as ours to make sure the climate is favorable for Congressional action on an FEA bill to carry out a bilateral agreement. (We also would need enthusiastic FEA advocacy of the deal which is not assured.)

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<sup>4</sup> The editorial in the February 13 edition of *The Washington Post*, entitled "Iran's Threat," urged the Ford administration to take Iran up on its warning to buy fewer weapons if its oil revenues did not increase and thereby allow the United States to "escape from a network of commitments that are becoming steadily more dangerous and onerous."



1—B. *Consortium Liftings*

In the discussion of oil, Ansary is likely to complain of the low level of purchases of Iranian heavy crude by U.S. oil companies in the Iran Consortium. You will recall that I answered this complaint formally last month. The Consortium members are negotiating with NIOC now on a revised agreement in which the Iranians want to bind the companies to a predicted level of liftings, regardless of international market demand and Iran's prices. Naturally, the companies stoutly resist this proposition. We cannot offer much comfort to the Shah on this matter; only an industrial recovery in Europe will do much to restore his sales of heavy crude.

2. *GOI Relations with Secretary Rumsfeld*

In our discussions February 3 and by telephone since then, Ansary has indicated that he wanted to smooth things out with Rumsfeld. I assume that this refers to the Evans and Novak column of January 27 (copy attached).<sup>5</sup> Toufanian evidently was abrasive in his efforts to carry out the Shah's orders to impress upon us the need for higher oil sales if Iran is to maintain planned arms purchases from the United States.

The Iranians probably have concluded that cooperation by DOD is essential to their oil and arms interests.

Ansary raised with me the possibility of his seeing you and Rumsfeld together. I discouraged this. I suggest that you tell him that you will personally convey to Rumsfeld Ansary's concern as to good relations. If he presses, I suggest that you agree to ask Rumsfeld to see Ansary before he returns to Tehran.

Attached for your reference is a brief outline of Iran's military equipment procurement from DOD.<sup>6</sup>

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<sup>5</sup> Attached but not printed. The column by Rowland Evans and Robert Novak in the January 27 edition of *The Washington Post*, entitled "The Troubles of the Arms Merchant," reported that Toufanian had administered a "tongue-lashing" to Rumsfeld during their January 19 meeting, demanding that the Secretary lower arms prices and pressure U.S. consortium members to take more Iranian oil. See Document 158.

<sup>6</sup> Attached but not printed is a paper entitled "Prospective Iranian Arms Procurement."

# 165. Telegram From the Department of State to Secretary of State Kissinger<sup>1</sup>

Washington, February 16, 1976, 1755Z.

Tosec 40001/37659. From Robinson. Subject: Your Breakfast Meeting with Ansary, February 15, 1976.

1. At your breakfast meeting with Ansary and Robinson at the Ritz Carlton on Sunday, February 15, the following matters were discussed.

2. You exchanged views with Ansary on our general policy of Soviet containment. Ansary reported that the Shah recognizes the difficulty of maintaining a balance between the interests of détente while at the same time blocking Soviet aggression in other parts of the world but feels that your present policies are sound.

3. You discussed the importance of continued efforts to strengthen US–Iran relations and reconfirmed the importance of Iran’s continued development of military strength to preserve stability in the Gulf. It was agreed that no other nation was capable of performing this task.

4. You supported Ansary’s view that Iranian oil exports should be maintained at a high level to provide funds necessary for purchase of US military equipment. We considered three aspects of this problem:

—Ansary indicated that Iran would push the consortium members to purchase oil at the projected level of 4.9 million barrels per day. He expressed concern that these purchases had fallen to as low as 3.3 million barrels a day recently but admitted that to some extent this was the result of a non-competitive price for heavy crude oil. He acknowledged that there would be a decrease of 9.5 cents per barrel which was aimed at overcoming this disadvantage.

—We discussed our bilateral oil project and you made the point that the problem was largely one of needing a greater discount margin to encourage the support of FEA and DOD. We indicated that the general plan which evolved out of our discussion in London<sup>2</sup> was acceptable in principle to the administration but that we had learned subsequently of the need for Congressional appropriation which would subject the deal to more careful scrutiny. This also made it more important that we have full support of DOD and FEA in the Congressional hearings which would be necessary to obtain the appropriation. You mentioned the possibility of a discount of as much as a dollar a barrel to

<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL–153, Iran, Chronological Files, 1 January–14 April 1976. Secret; Immediate; Nodis; Cherokee. Kissinger traveled to Caracas on February 16 to meet with President Pérez.

<sup>2</sup> See Document 153.

which Ansary responded that we have not yet commenced our negotiation of this key element of the transaction. It was agreed that we would not push this program for the moment, recognizing the need to get Rumsfeld, Ellsworth and Zarb on board before proceeding with an aggressive effort to conclude this arrangement.

—In the meantime, it was agreed that Iran should pursue swap arrangements with individual US companies supplying military equipment. Robinson reported that he had met with representatives of these companies to assure State support but stressed that decisions on the part of the individual companies would have to be on a strictly commercial basis.<sup>3</sup> It was agreed that the USG should not become directly involved as these negotiations were likely to become public knowledge and we could be subject to criticism if we were to play a more direct role.

5. We discussed ways in which we could gain greater support for Iran on the part of DOD and FEA. It was agreed that Ansary would plan to return to Washington after the Florida primary and perhaps by mid-March. At that time you would attempt to arrange:

—A meeting with the President for discussion of overall US–Iran relations and the importance of continued US support for Iran’s expanding military capability.

—This would be followed by a small dinner affair with Rumsfeld, Ellsworth and Zarb in an effort to give DOD and FEA a sense of participation in our relationships with Iran.

6. There followed a meeting between you and Ansary alone which he had requested for a discussion of personal matters.

**Kissinger**

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<sup>3</sup> See footnote 3, Document 164.

## 166. Memorandum of Conversation<sup>1</sup>

Washington, March 13, 1976, 10 a.m.

### PARTICIPANTS

The Secretary  
General Scowcroft  
Frank Zarb  
Charles Robinson  
Paul Barbian, Notetaker

### SUBJECT

Iran Oil Negotiations

The Secretary: Frank, how have you been?

Zarb: Just fine, Henry. Your speech has really caused a sensation.<sup>2</sup>

The Secretary: It has generated a new definition of non-partisanship.

Zarb: Anyone who can be attacked in one day by both Reagan and Jackson must be all good.

The Secretary: They've been going around for weeks attacking American foreign policy and accusing us of weakness. And the first time I hit back, they call it unfair. But I've got news for them, I'm going to hit them again in Dallas on March 22.<sup>3</sup>

Scowcroft: Even Carter hit back. I understand he's got Brzezinski working for him. That won't help him very much.

Robinson: I understand Carter wants your job.

The Secretary: Brzezinski is a total whore. He's been on every side of every argument. He wrote a book on *Peaceful Engagement* and now that we are doing most of what he said in the book, he charges us with weakness.

Zarb: May I say a few things about oil?

The Secretary: Of course.

Zarb: We have been talking for the last 6 months about this Iranian oil deal but recently Congress passed a bill of tremendous importance.<sup>4</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P770092–0067. Secret; Sensitive.

<sup>2</sup> Kissinger gave a speech before the World Affairs Council in Boston on March 11 defining the Ford administration's record on foreign policy.

<sup>3</sup> Kissinger delivered another speech on foreign policy to the World Affairs Council in Dallas on March 22.

<sup>4</sup> Reference is to the Naval Petroleum Reserves Production Act of 1976 (P.L. 94–258), which President Ford signed on April 5. The act authorized the Secretary of the Interior to establish national petroleum reserves within the United States that would be regulated in a manner consistent with the total energy needs of the country.

It gives us a very important international tool. Under this legislation, we are able to buy 1 billion barrels of oil as a government. The one billion barrels of oil will be stored as a reserve. We can begin buying the oil just as fast as we can build storage facilities.

The Secretary: You mean one billion barrels of oil per year?

Zarb: No, one billion barrels of oil total.

Robinson: That's about 500 thousand barrels per day.

The Secretary: For what period of time.

Robinson: 500 thousand barrels per day for about 1 year.

Zarb: There's no point worrying about logistics. The point is we have buying power.

The Secretary: Who buys the oil?

Zarb: I do.

The Secretary: Does that mean that DOD is out of it? Anything that excludes DOD, I'm for.

Zarb: The main advantage of this new tool is that it allows us to construct a deal whereby members of OPEC can sell cheaper than the market price and can say that they are not selling to the market—rather they are selling for storage. And we can make the commitment that we will store the oil and not let it enter the market for a given period of time.

The Secretary: How much is one billion barrels of oil?

Robinson: We have been talking to Iran about 500 thousand barrels per day for about a year and that would fill up the 1 billion barrels.

Zarb: The one billion barrels is above the current import level.

Scowcroft: The deal gives us two possibilities. Either we buy it at a discount and save the money and store it; or, eventually we put the oil on the market and that will also depress the price.

Zarb: I don't think we can break OPEC regardless of what we do with the Shah.

The Secretary: Chuck, do you agree with that?

Robinson: Well, not entirely. I would have to resist strenuously.

The Secretary: I have a great club over Chuck. If he doesn't agree with me, I will settle the Marcona problem for \$5 million.

Scowcroft: You can't do that, I have stock in Marcona.

Robinson: Although the amount of 500 thousand barrels a day doesn't sound like a great deal, you have to remember that that would be new production for the Shah and it would take away from the amount that other suppliers can sell on the market.

The Secretary: What I can't get the economists in this town to understand is that the importance of this deal is political. The political im-

pact of 500 thousand barrels from Iran will be very large. I want the Saudis to weep and I want them to be uncertain. Simon keeps saying that the Saudis are willing to auction 2 million barrels. But they always come up with some last minute alibi. We've been screwing around with the Iran deal for the past year and quibbling over trivialities. Whether we get a dollar or a dollar 25¢ per barrel discount doesn't matter. What's important is the political impact. Chuck, do you disagree with me?

Robinson: No.

The Secretary: You'll go far.

Zarb: Can't we get the two deals together?

The Secretary: What I'm after is the symbolism of the Shah breaking the OPEC line.

Robinson: We could tie the storage program in with two years of . . .

Zarb: We can do it many different ways. All of them will come out the same place. I can structure the cash flow however the Iranians want it. We will have to avoid selling the oil to private companies for resale. We have faced two main objections to the Iranian oil deal from the outset. Greenspan is opposed to the Government becoming involved in the market system. He sees government involvement in the oil market as a form of communism. The other problem we're facing is that if we get too small a discount, we'll have a bad public image. That's the benefit of the storage program. If we buy the oil for storage, we will be able to get a bigger discount from the supplier.

Robinson: The deal would force a reappraisal of the OPEC formula. A 500 thousand barrel deal doesn't have to be for five years. It can be phased out and the storage plan phased in.

Zarb: Panama City didn't help any.<sup>5</sup> The companies had armed guards and Lear jets and all of the things that gave the negotiations the worse possible image.

The Secretary: Did we know about the Panama City meeting in advance?

Zarb: We knew there was going to be a meeting but I didn't know where it was going to be.

Robinson: The companies were close to a deal with the Saudis before the Panama City.

Zarb: They met to work out the terms of surrender.

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<sup>5</sup> Four major oil companies, Mobil, Exxon, Standard of California, and Texaco, met with Saudi Petroleum Minister Yamani in Panama City, Florida, March 7–12, to negotiate an agreement for the complete Saudi takeover of Aramco.

The Secretary: The cowardice and stupidity of US business amazes me. Some man named Hartley jumped me at a leadership meeting in Los Angeles and said that our negotiations with the Soviets for an oil deal is a communistic plot to destroy American oil companies.

Zarb: Our main concern is selling the program to the Congress and the public. The storage legislation gives me all the necessary tools. I'll have better leverage to buy; because of the lower prices the deal will have a better political image, and because the government is buying oil not for the free market but for storage, the freedom fighters will be put off. If we try to go the other way, with a straight bilateral deal, we won't be able to bring along Rumsfeld, Greenspan, and the President.

Robinson: Can't we get the bilateral deal first and then phase in yours?

Zarb: With this law, I can begin signing contracts for eight years. When I was in Venezuela, I described the deal to the Minister of Petroleum and he called me back the next day to talk about it further. I didn't give him any of the details because Chuck and I had agreed not to do that.

The Secretary: What would 500 thousand a day for a year do to our reserve position?

Robinson: Well, we would have about 800 million barrels.

The Secretary: That would not leave much left over for other countries.

Zarb: I think we run up against the same problem there.

Robinson: I'm very discouraged about our relationship with Greenspan and Defense. We've run up against the same problems every time.

Scowcroft: If we have a deeper discount, would we be able to get more support?

The Secretary: The *Wall Street Journal* confronts everybody as long it keeps the market free.

Scowcroft: If we start as a Iran bilateral deal and then switch to storage as soon as storage is ready. I understand General Dynamics is negotiating with the Iranians right now to swap oil for weapons.

The Secretary: Would the oil companies buy that kind of a swap? If we go ahead with it, we'll wind up with a bunch of barter deals that give Iran exactly what they want. And that will dilute the political impact. They can set the price for military equipment at any level so there is no real discount. I don't care about the economics of the deal. I want the Saudis to be unhappy. I want there to be a visible gap between the price we're paying for oil and the OPEC price. I want the Shah to break the OPEC line.

Scowcroft: Could we auction the oil?

Zarb: Yes we could, but I suggest that we start the negotiations where everybody in the government is comfortable; with the storage program. Then move it back towards the bilateral deal.

The Secretary: Suppose we get a very good price discount on storage. Then we could sell it to the public as a great achievement.

Robinson: If we can get the two together, we can accelerate purchases.

The Secretary: (to Zarb) I think it is a very ingenious idea. We can use the storage legislation as a lever to get the other thing.

Scowcroft: Do you have a quality problem? Do you have enough storage for a billion barrels of heavy?

Zarb: No, we need to have a mix of heavy and light.

The Secretary: We could do a seven-year deal.

Zarb: I would prefer a seven-year deal. We need to have 150 thousand barrels in place by 1978.

The Secretary: It's an ingenious idea. If we can marry the two together, then let's get off of DOD. They leak everything and I agree with Frank that we cannot move them.

Robinson: But that won't solve the Shah's problem.

The Secretary: We can use the two-year deal as leverage for the five-year deal. We'll get some impact on OPEC, if we get a seven-year deal at a discount.

Scowcroft: And the storage program allows the Shah to hide behind the OPEC line.

Robinson: A billion barrels is 500 thousand barrels a day for six years. It's about 1 year of our crude oil imports.

The Secretary: One year is a long time.

Zarb: Let Chuck and I go ahead on some of the details.

Robinson: Ansary will be here.<sup>6</sup>

The Secretary: Yeah, but let's drop Defense. They'll write a memo and leak it and that will hurt the Shah.

Robinson: DOD hates the Shah.

The Secretary: Why?

Robinson: Because they think Saudi Arabia is more stable and a better ally over the long term.

The Secretary: This deal wouldn't upset relations with Saudi Arabia. It wouldn't hit them in the stomach. It wouldn't be like calling for the internationalization of Jerusalem.

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<sup>6</sup> Ansary was to visit Washington March 29–30.



When Ansary is here, we're going to have lunch. I need only 30 minutes with Ansary. Then lunch for the four of us. Then a social dinner. We will have to invite Zahedi to the social dinner.

Paul, has DOD been invited to the dinner yet?

Barbian: I'll have to check.

The Secretary: Do you know Ansary?

Zarb: No.

The Secretary: You're probably too young.

Robinson: He wants me to take him (Zarb) to Tehran.

The Secretary: He really carries on. I've seen him in Zurich and Cannes.

Zarb: I'm losing interest in the deal but I sure do want to meet Ansary.

The Secretary: Okay. Our plan is to get the deal on storage plus some front end. And we'll have a general discussion at the dinner with Ansary.

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**167. Action Memorandum From the Acting Assistant Secretary of State for Oceans and International Environmental and Scientific Affairs (Kratzer) and the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, March 26, 1976.

**Next Steps in Our Nuclear Negotiations with Iran**

*The Problem*

By memorandum from the NSC, dated March 18, 1976 (Tab 3),<sup>2</sup> the Department has been requested to provide the NSC with its recommendations as to how the U.S. should now proceed in its nuclear

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840041–2160. Secret; Exdis. Sent through Sisco and Maw. Drafted by Harold D. Bengelsdorf (OES/NET/RD); concurred in by Jerome Kahan and Jan Kalicki (S/P), Sober, Naas, Louis V. Nosenzo (PM/NPO), Poats, and John H. Kelly (C). Sisco wrote a note on the memorandum that reads: "HAK, I agree with S/P not the Bureau. I would *not* pursue the buy back option. JJS"

<sup>2</sup> Not attached. A copy is *ibid.*, P840018–1749.

power negotiations with Iran taking into account the results of the meeting that Dr. Seamans and Mr. Maw had with the Shah on February 23, 1976.<sup>3</sup> We have been specifically requested to comment (by March 29, 1976) on the recommendations which Dr. Seamans has presented to the President in a memorandum dated March 15, 1976. That memorandum, (which is attached at Tab 4),<sup>4</sup> notes that the Department will be forwarding its own recommendations to the President although Under Secretary Maw is reported as agreeing with the Seamans account of the meeting and also as sharing the conclusions.

There is urgency to receiving Presidential guidance on this issue since we expect Dr. Etemad, the Chairman of the Iranian AEC, to visit the U.S. from April 20 to 28, with the hope of resuming detailed negotiations. The Shah's response to the President's letter of February 21, 1976 is enclosed as Tab 5.<sup>5</sup>

#### *Options Open to State Department*

We believe that there are two basic alternatives that the Department can now choose from in submitting its recommendations to the NSC:

—We can support Dr. Seamans in his recommendations. These would involve seeking a commitment from Iran to pursue the multinational reprocessing plant concept (when it actually needs reprocessing), but with the understanding that we would accept a rigorously safeguarded Iranian national plant if the multinational concept fails. We could add whatever thoughts we might have as to how this position should be shaped from a political, tactical and procedural standpoint.

—Alternatively, as reflected in our letter to Mr. Scowcroft of January 13, 1976 (Tab 6),<sup>6</sup> we can continue to favor the exploration, in an appropriate fashion, of two alternate courses with Iran. The first of these would be designed (through a plutonium purchase option) to give us an opportunity to prevent Iran from reprocessing material produced in U.S. reactors or from fuel in any national facility in Iran. The U.S. would be able to exercise this option only in the event Iran failed to

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<sup>3</sup> See footnote 3, Document 162. The Embassy briefly reported on the meeting in telegram 1882 from Tehran, February 24. (Ibid., Central Foreign Policy Files, D760068–0648)

<sup>4</sup> Not attached. A copy is *ibid.*, P840018–1750.

<sup>5</sup> See footnote 3, Document 162, regarding the President's letter. In his March 4 reply, not attached, the Shah agreed that non-proliferation of nuclear weapons was a mutual goal, but added that the other aim of the NPT was "facilitating the exchange of nuclear technology, equipment and materials for peaceful purposes." A copy of the letter is in the Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 15, Iran (4).

<sup>6</sup> Not attached. A copy is in the National Archives, RG 59, Central Foreign Policy Files, P840157–0772.

establish a multinational facility or some other mutually acceptable alternative to national reprocessing of U.S. material or material produced in U.S. reactors. The other would conform to the position proposed by Dr. Seamans.

The basic distinction between these two overall approaches is that, under the second, we would make a serious attempt to induce the Iranians to accept a plutonium purchase option approach (as described below) if they failed in their multinational efforts; if this is not successful, we would then fall back to the position favored by Dr. Seamans, and also recommended as an alternative in our January 13, 1976 memorandum.

It should be noted that Iran contemplates buying some non-U.S. reactors and will probably have access to non-U.S. fuel; neither of these approaches would determine the conditions under which Iran might reprocess non-U.S. material.

*Recommendations of Dr. Seamans and His Observations*

In his report to the President, Dr. Seamans notes that the Shah has indicated that before embarking on the construction of any Iranian reprocessing plant he would review the matter carefully with the U.S.; he would expect that this would be a shared responsibility and that we would jointly review and participate in the determination of safeguards. More generally, there is an evident willingness by the Shah to find a mutually satisfactory solution to the reprocessing problem.

According to Seamans, the Shah never indicated, however, that he would accept U.S. conditions on reprocessing including the multinational approach. But his position appears to be that if our mutual non-proliferation goals can be accomplished through a reprocessing plant on Iranian soil, consistent with Iranian national sovereignty and honor and its obligations under the NPT, it would receive his careful consideration. Indeed, our reading of the Seamans discussion suggests that, short of depriving himself of the ultimate right to reprocess nationally, the Shah may be willing to join the U.S. in an act of leadership to explore alternatives to national reprocessing.

Based on his conversations, Dr. Seamans believes a U.S. approach favoring an ultimate U.S. veto to prevent Iranian reprocessing will be unacceptable to Iran. He therefore has proposed that a formulation along the following lines offers the greatest hope of a mutually satisfactory resolution:

—“Iran would agree to exert strenuous efforts toward the establishment of a multinational or binational reprocessing facility.

—Iran would accord the United States a continuing opportunity to participate in such a facility.

—The U.S. would consent to reprocessing of the U.S. material in an Iranian national facility if Iran was unable to achieve a multinational/binational reprocessing capability.

—U.S. consent would be subject to:

(1) the continuing requirement that we be satisfied the safeguards applied to these activities by the IAEA are effective, and

(2) the right to assign staff to the facility if in the U.S. judgment this is necessary to supplement IAEA safeguards.”

Dr. Seamans believes that this approach would both serve to delay an Iranian move to reprocessing (while the multinational idea is explored) and that the proposed increased presence of the U.S. in the implementation of safeguards could be welcomed by Congress. He acknowledges, however, that the absence of an explicit U.S. ability to preclude reprocessing in Iran might be challenged by some Congressional elements who may argue that the proposed intensification of safeguards at the facility does not fully satisfy their concerns about having a national reprocessing plant built in Iran.

We understand from the ERDA staff that Dr. Seamans, however, is not opposed to including in the agreement, *as a matter of form*, a “mutual consent” provision that would accord the U.S. the opportunity to concur in where the fuels irradiated in our reactors, as well as the plutonium produced from our reactors or fuel, might be stored and fabricated. The point, however, is that in the ultimate analysis, we would make it clear that if the multinational idea proves impracticable, and if we do not exercise a continuing opportunity to participate in an Iranian facility, we would be prepared to permit such reprocessing to occur under national control in Iran provided we could be continually assured that effective safeguards are being applied.

*State Department Views of January 13, 1976*

As noted, the Seamans approach reflects, in a general sense, one but not both of the options that the State Department recommended in its January 13, 1976 memorandum to Mr. Scowcroft (see Tab 6). In commenting on the earlier inter-agency study on this question,<sup>7</sup> we suggested two options to the NSC on the grounds that either would form an acceptable basis for negotiations. Both assumed, as does Dr. Seamans, that we would urge Iran to make strenuous efforts to establish a multinational or binational reprocessing plant in which we would have a continuing opportunity to participate. We also recommended that the USG seek to retain the current approach of incorporating, as a matter of form, an explicit U.S. veto right in the main part of

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<sup>7</sup> See footnote 4, Document 159.

the agreement with conditions for authorizing reprocessing treated in the associated note. However, we were prepared to cover the entire reprocessing understanding in the body of the agreement, if pressed to do so. We recognized, however, that the establishment of a multinational center might not be feasible and therefore favored two fall-back positions as a basis for negotiations. One of the proposed options conformed to the Seamans proposal. The second approach, which we recommended, would accord the U.S. an option to purchase for “appropriate compensation” the spent fuel rods in the event Iran was unable to establish a multinational or binational reprocessing capability, or to agree through consultations on alternative means to accomplish such services. If we failed to exercise the option Iran would have the right to reprocess in Iranian national facilities, subject to a mutual determination that such facilities can be effectively safeguarded.

The pros and cons of these two approaches were set out in our memorandum to Mr. Scowcroft. In brief, we concluded that the plutonium buy-back approach would give us greater leverage in preventing Iranian national reprocessing and might appeal to Congress but that it was less likely to be acceptable to Iran than our suggested alternative which ultimately would permit Iranian national reprocessing without a U.S. repurchase option, but under more rigorous U.S. controls than in prior agreements. We understand that, based on his trip to Tehran, Dr. Seamans does not feel the buy-back approach is likely to be acceptable to Iran. We do not yet have the views of the other interested agencies (DOD and ACDA) on this question.

*Bureau Views and Suggested State Department Course of Action*

While appreciating the views expressed by Dr. Seamans, OES, NEA and PM favor an alternate position along the following lines.

As a first position, it is recommended that we explore with Dr. Etemad the possible incorporation in the agreement of the plutonium buy-back right option just described.

These Bureaus favor this action as the first approach, since if saleable to Iran, it would provide the U.S. with greatest flexibility in controlling reprocessing. It is recognized that Iran might view the introduction of this new idea as a U.S. attempt to “raise the ante” and as inconsistent with both an emphasis on shared political responsibilities and its defense of its sovereign rights under the NPT. However, on balance these Bureaus believe that such an arrangement, if handled with sensitivity for Iran’s known position, would be useful to explore during the negotiations and would not injure prospects for moving, if necessary, to the Seamans proposal.

However, in the event the GOI rejects this proposal OES, NEA and PM along with S/P believe that the U.S. negotiators should be author-

ized to explore the approach favored by Dr. Seamans subject to the following understandings:

—We would continue to seek a strong political commitment from Iran to pursue the multinational/binational plant concept, while according us the continuing opportunity to participate in the project. In addition to citing the economic rationale for such a facility, we would underscore its potential role in serving mutual U.S.–GOI non-proliferation interests by possibly offering Pakistan the prospect of a multinational alternative to its projected national reprocessing plant. (If appropriate, we could seek to obtain this political commitment through a letter from the President to the Shah responding to the Shah's recent letter.)

—We would also seek a commitment from Iran to consult closely with us on its prospective reprocessing plans before making any firm decisions to proceed with a project regardless of its multinational character. The U.S.–Iranian Joint Commission could be the forum for such consultations. In the course of these discussions, we would offer to help Iran assess, in detail, the economic viability of proceeding with any reprocessing venture and the modalities of possible multinational configurations. The obvious objective would be to devise a procedure not only for deterring a national plant in favor of a multinational plant, but also for ensuring that the GOI does not commit itself prematurely to any reprocessing project, since regardless of its institutional character, we probably would prefer to see such a venture constructed later than sooner.

—As proposed by Seamans, we would be prepared to assure Iran that if it is unsuccessful in its effort to establish a multinational plant, that we would be prepared to give our consent to an Iranian plant subject to (a) the continuing requirement that we be satisfied that the IAEA safeguards applied to the facilities are effective (b) an opportunity to supplement these IAEA safeguards with the assignment of U.S. personnel, if necessary.

—We would make it clear that our first preference would be to offer these assurances in an accompanying note, while leaving our bare legal rights of approval of reprocessing, storage and fabrication of the derived plutonium intact in the body of the agreement.

—However, in return for a clear high-level commitment from the Shah to pursue the binational/multinational concept, possibly in the context of further correspondence with the President, we would be prepared to abandon our preference for an unconditional U.S. "right of consent" and to incorporate, instead, these assurances into the body of the agreement—which would make it manifestly clear that in the ultimate analysis (i.e., inability to achieve a multinational facility and U.S.

refusal to exercise its option to participate in a binational venture) re-processing could occur in Iran subject to rigorous safeguards.

—Finally, our plan would be to offer this proposal to Dr. Etemad on an ad referendum basis, noting that if Iran finds it acceptable, we would be prepared to consult with the Congress on this proposed approach.

*S/P*, on the other hand, believes it would be unwise and potentially counterproductive for the U.S. to introduce the plutonium buy-back concept when we resume negotiations. This approach was not mentioned in the recent high-level meetings with the Shah by Dr. Seamans and Mr. Maw. It could well be viewed by Iran as casting doubt on its reliability and as a step backwards in what appeared to be a gradually emerging positive climate for resolving our differences, particularly against the background of the Shah's personal position which stresses the GOI's non-proliferation commitment and sovereign rights as an NPT party. Our introducing a new proposal—which can be viewed as introducing an intervening obstacle directly challenging Iran's right to reprocess our material nationally if they failed to establish a multinational facility—could unsettle our relations and substantially increase the difficulty of gaining Iran's agreement to our modified proposal for a high-level political commitment to make best efforts for a multinational alternative. Also, it is unlikely that the U.S. would be in a position to execute its plutonium buy-back option in the future; thus in some sense our new proposal could be seen by the GOI as being less than fully credible and inconsistent with the spirit of finding realistic solutions to bridge the gap between our differences. Finally, with the exception of its opposition to the buy-back approach, *S/P* favors the proposed refinements to the Seamans approach, as recommended above by OES, NEA and PM.<sup>8</sup>

PM would note that the question of a U.S. right to assign staff to an Iranian national facility to supplement IAEA safeguards has not been raised explicitly with the Shah, Dr. Etemad or the IAEA and that it is equally possible that this concept could also be viewed as casting doubts on Iran's responsibility as well as the adequacy of IAEA safeguards.

*Recommendations:*

It is recommended that you authorize Mr. Springsteen to sign the memorandum enclosed at Tab 1 which reflects the position favored by OES, NEA and PM (exploration of a plutonium buy-back approach but

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<sup>8</sup> Tabs 1 and 2, letters from Springsteen to Scowcroft outlining the OES, NEA, and PM and *S/P* options, are not attached. Copies are *ibid.*, P840018–1742 and P840018–1746, respectively.

use of the Seamans proposal, modified along the lines indicated above, should the negotiations prove that to be desirable).<sup>9</sup>

*Alternatively*, it is recommended that you authorize the memorandum enclosed at Tab 2 which concurs in the Seamans proposal with the clarifications and modifications indicated above, and without favoring the plutonium buy-back option as a first approach (favored by S/P).

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<sup>9</sup> Kissinger initialed his approval of this recommendation on April 16, with a note: "But I want brief meeting on subject 1st."

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## 168. Memorandum of Conversation<sup>1</sup>

Washington, March 29, 1976, noon.

### SUBJECT

U.S.–Iran Bilateral Oil Agreement (I)

### PARTICIPANTS

Henry A. Kissinger  
Secretary of State

Hushang Ansary  
Iranian Minister of Finance and Economy

Ardeshir Zahedi  
Iranian Ambassador

Charles W. Robinson  
Under Secretary of State for Economic Affairs

Rutherford M. Poats, Notetaker, E

Kissinger: The first thing you must understand, Hushang, is that in this town, especially this year, everybody has his own brilliant solution to all problems. Frank Zarb, our FEA Administrator, has his solution to the oil agreement problem we have been discussing with you.

(Pause while Secretary leaves to take a phone call.)

Robinson: You and I should plan to get together tomorrow to sum up what we've concluded and decide the next steps.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P820117–1638. Confidential; Nodis. Drafted by Poats and approved in S on April 1.



Ansary: Yes. I hope we can get right now the Secretary's views on the principal questions so that we know how to proceed.

Robinson: We are pushing the swap arrangements you are discussing with our companies, and I believe something will come of this.

Ansary: Swap? You mean the barter of oil for military equipment?

Robinson: Yes, the negotiations with Litton, Boeing, General Dynamics and others. We want to see this pursued to a successful conclusion. A bilateral agreement would be supplemental to that.

Ansary: Is Zarb's idea swap?

Robinson: No, government-to-government agreement. He has legislative authority now to proceed to establish a Strategic Reserve of 500 million barrels of oil, possibly 900 millions barrels later. This would be off-market, not conflicting with your sales.

Ansary: Would it have to be implemented by appropriations?

Robinson: Yes, but these would be more or less automatic. They would be subject to a specific plan to be submitted by Zarb to Congress.

Ansary: Where do we stand with the Defense Department on the plan we have been discussing?

Robinson: I'd prefer to wait until Henry gets back before going into that.

(The Secretary returns.)

Kissinger: Zarb wants to put Iranian oil into our Strategic Reserve. He's got a complicated scheme to present to you. I must warn you that he wants a massive discount. He could not have storage in the salt domes ready before 1978, so we need to meld this idea with our earlier idea of immediate purchases. However, we have concluded that the plan involving Defense Department purchases from you is out.

Ansary: Why?

Kissinger: Essentially bureaucratic reasons. Unless the agency handling this proposal with the Congress is enthusiastically committed to it, there will be prolonged debate . . . a disaster.

Ansary: His Imperial Majesty likes the idea of a mutual security arrangement for sale of our oil to your Defense establishment. Now you are suggesting an entirely new idea that could take months to develop.

Kissinger: We will get to a quick decision. Is the negotiation with the U.S. (arms) companies going well?

Robinson: Yes, it seems to be. Seven companies are involved. General Dynamics is working on a 100,000 barrels/day plan.

Ansary: Yes, with Ashland.

Robinson: These swap arrangements could add up to 200,000 to 300,000 barrels/day.

Kissinger: Not bad. Is there to be a price reduction?

Ansary: We haven't gotten to that.

Kissinger: What I want to do is to avoid a big debate in the Congress with people out-doing each other on the kind of bargain we should negotiate, urging us to blackmail Iran, and so on.

Ansary: So far as I am concerned, we would like to avoid Congressional debate. In order to be sure I understand the situation, should I leave Defense out of the discussion of oil at dinner tonight?

Kissinger: Yes. My advice is don't raise it with Ellsworth.

Zahedi: To be frank with you, I don't trust Ellsworth. I don't think we would get anywhere with him.

Ansary: I have a problem with this, in view of my instructions from His Imperial Majesty. Is it a matter of making an effective presentation?

Kissinger: I don't mind saying during the dinner to you that you can take five minutes to try to convince Ellsworth, but I am convinced that an approach through Zarb's reserve plan is the way to proceed.

Ansary: He doesn't have appropriations yet. And if he sold the oil before 1978 it would have to go into the commercial market.

Robinson: That would be true in any case.

Ansary: Then we are back to starting from scratch.

Robinson: There could be some phasing out of market purchases of crude from other countries, with swaps in the meantime.

Ansary: How would you justify this to the independents and the majors? I ask this question not because I want to get back to the Defense route, but because it will be necessary to explain to His Imperial Majesty if the preference now is for Zarb to get into the oil-importing business.

Kissinger: Once we have established the principle that we are going to buy Iranian oil for our Strategic Reserve, we have taken care of only the 1978–80 period, and it is obvious that you have to have sales now, so an interim arrangement is necessary.

Ansary: I am concerned that Zarb would resist going into commercial business.

Robinson: I suggest you pursue this at lunch with Zarb.<sup>2</sup>

(Adjourned to the dining room at 12:50 p.m.)

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<sup>2</sup> At the lunch with Kissinger, Robinson, Zahedi, Scowcroft, and Poats, Zarb presented Ansary with a proposal to invoke FEA's authorization to fill a strategic oil reserve by purchasing Iranian oil. (Library of Congress, Manuscript Division, Kissinger Papers, CL-153, Iran, Chronological Files, 1 January–14 April 1976) The memorandum of conversation is printed in *Foreign Relations, 1969–1976*, volume XXXVII, Energy Crisis, 1974–1980, Document 96.

**169. Memorandum of Conversation<sup>1</sup>**

Washington, March 29, 1976, 4:34–5:18 p.m.

**PARTICIPANTS**

President Ford  
Hushang Ansary, Iranian Minister of Finance and Economy  
Dr. Henry A. Kissinger, Secretary of State  
Brent Scowcroft, Assistant to the President for National Security Affairs  
Ardeshir Zahedi, Ambassador of Iran

Ansary: His Imperial Majesty asked me to convey his very best wishes to you.

President: Will you please reciprocate for me? I really enjoyed our meeting together<sup>2</sup> and I appreciate our association.

I do want you to know I hope we can work out an agreement. I think it would be beneficial to both countries. Henry, would you outline where we are?

Kissinger: We have been talking a five-year agreement which would be above Iran's current production. We are now looking at FEA authority to buy 500,000 barrels a day for five years for storage. The problem is at the production end, before the storage is ready. We have several ideas for dealing with that. If we can solve that, we can get a deal in outline and complete it when we get the appropriation.

President: I am sending up the appropriation either tomorrow or Wednesday.

Kissinger: Assuming that passes without controversy . . .

President: Yes, it is one area where I and the Congress agreed.

Kissinger: Then we could complete it a couple of weeks after Congressional action.

Ansary: I would like to express His Majesty's interest in this agreement.

His Imperial Majesty is very concerned about the world scene—the Soviet Union moving in various parts of the world, such as Angola, and the possibility of cutting Africa in half by a linkup with Mozambique.

He feels the declaration of independence by the European Communist Parties is a good sign.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 18. Secret; Nodis. The meeting was held in the Oval Office. All brackets are in the original.

<sup>2</sup> See Documents 125 and 127.

He thinks the strength and authority of the United States is essential for the Free World. He realizes the US can't take the initiative on all fronts on its own.

President: You can assure His Majesty that the Secretary and I have agreed on every policy decision since I have been President.

Ansary: Iran can accept responsibility for peace and stability in the Gulf area. Our flourishing economy has permitted us to establish great trade with the US. When I was here we established a Joint Commission at the level of \$15 billion of trade.<sup>3</sup> That has now grown to \$25 billion. As you know, for now we depend heavily on the export of oil. His Imperial Majesty appreciates your support of this progress because it lets us carry out our program and also provides a great quantity to the US and helps you with your recession. We know this is an election year and we all send you best wishes for success, and His Imperial Majesty is looking forward to your victory and working with you in the period ahead.

We have been working at this project for over 18 months without results. We hope with your support it can be brought to an early decision.

President: When we started we thought we had to use DOD and there were some bureaucratic problems with this. With this new authority I think we can move. I can assure you my interest is for something being done.

Ansary: I appreciate that because it is important in enabling us to continue our program. We will be meeting again after this meeting and I only hope the expectations don't exceed the possibilities and I can report back to His Imperial Majesty that things are moving well.

Kissinger: It may be that Zarb's first expectations may be a bit excessive and that my friend's first offer may not be his last.

Ansary: We have our obligations within the OPEC and our friendship with the US. It would be bad if we started off on the wrong premises.

Kissinger: Zarb may have excessive ideas, but I suggest that to avoid endless haggling you make him your best offer.

We have to get enough to justify giving Iran a preferred role in the storage program, but we don't want to humiliate you.

Ansary: We have been dragging this out for 18 months. His Imperial Majesty thinks that some people here seem to think that if you hold out the oil price will drop. That won't happen, and His Imperial Maj-

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<sup>3</sup> See Documents 108 and 109.

esty thinks that would not be in your interest, for developing alternative sources.

President: Zarb, in defending his program before the Congress, will have to show his deal is better than dealing in the open market.

Kissinger: That is why we think the appropriation should go through before we close the deal.

Zahedi: One other point: We are now giving 2% of our GNP to aid countries like Pakistan, Turkey, Senegal, etc., so we would be taking some of your burden from you and which we couldn't do if this program doesn't go through.

President: I appreciate that. Our problem is one of public opinion here. I am for the program and I will do all I can to complete it.

Ansary: On the question of procedure: Our impression is the various agencies of government buy from the majors. We know at what price the majors buy. If you want more than that, I think that is negotiable.

Kissinger: In other words, we are talking about the profit margin of the majors.

Ansary: Two other small matters. Regarding imports of LNG into the US, there are restrictions of one trillion cubic feet per year. We are concerned at these limitations. We know that you have negotiated for a deal with Algeria and others. Your requirements are growing without the prospect of increasing your domestic production. We are planning a project which would raise the total to 1.4 trillion cubic feet. We would hope there is some flexibility here.

President: I'm not too familiar with this.

[Discussion]

The 1 trillion cubic feet of imports is just a planning figure—it's not a fixed amount.

Ansary: I will tell His Majesty.

His Imperial Majesty has just returned from Pakistan. Things are going well there. We have discouraged any ideas of revenge against India and we are helping them financially.

President: We are making equipment available. How is it going?

Scowcroft: Slowly, but it is moving.

Kissinger: The problem is financing.

Ansary: We are helping there.

We support you in the Middle East but we think sooner or later something has to be done to get Israel to move.

Kissinger: If you would tell His Imperial Majesty we are determined to press on. We have difficulties this year but we won't let things stagnate.

Ansary: His Imperial Majesty hopes you will continue assistance to Egypt. We have promised about a billion. It is essential to help them and we hope you will do so and also encourage others, like the Saudis to do likewise.<sup>4</sup>

President: We are determined to help. We are helping economically and we have done a little militarily, but we have to move slowly there. But I think we will get the support of the Congress.

Zahedi: His Imperial Majesty was very pleased with the announcement of the sale of the C-130's.<sup>5</sup>

Ansary: His Majesty is so concerned with conditions around the world. The United States is the key, and he wishes you success in the elections and for the maintenance of US influence around the world.

President: The nomination is sure; the election will be tougher but I think we will be okay. We will move after that.

Ansary: We really feel strongly about the essentiality of the US role in the world.

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<sup>4</sup> According to a memorandum from Robinson to Kissinger, March 31, Ansary rebuffed a request for more Iranian aid to Egypt, largely due to Iran's financial woes. Robinson concluded that the only way for Egypt to get help from Iran that year was to have Sadat appeal to the Shah directly. (National Archives, RG 59, Central Foreign Policy Files, P840018–1834)

<sup>5</sup> In March, Ford submitted a proposal to Congress to sell Egypt six C-130 transport planes, the first such sale in many years. It was a move that the Shah welcomed, particularly after U.S. officials discouraged him from establishing a pilot training program for Egyptian officers on the C-130s the previous December. (Telegram 294669 to Tehran, December 13, 1975; *ibid.*, P850012–2113) According to telegram 113153 to Tehran, May 9, the Department dropped its objections to the Iranian training plan once the C-130 sale to Egypt was proceeding. (*Ibid.*, Central Foreign Policy Files, D760179–0616)

**170. Memorandum of Conversation<sup>1</sup>**

Washington, March 29, 1976, 8:30 p.m.

**SUBJECT**

U.S.–Iran Oil Agreement (III)

**PARTICIPANTS**Henry A. Kissinger  
Secretary of StateHushang Ansary  
Iranian Minister of Finance  
and EconomyFrank G. Zarb  
Administrator Federal Energy  
AdministrationRobert Ellsworth  
Deputy Secretary of DefenseCharles W. Robinson  
Under Secretary of State for  
Economic AffairsArdeshir Zahedi  
Iranian AmbassadorBrent Scowcroft  
Assistant to the President for  
National Security AffairsAlfred L. Atherton  
Assistant Secretary for Near East  
and South Asian AffairsRutherford M. Poats, E,  
Notetaker

Kissinger: Our earlier discussion of an oil arrangement under the Defense Production Act or to supply the Defense Department has been overtaken by events. The authority now is in FEA, and that is the route we are following. However, I believe it would be useful, Bob, if you explained to Hushang the reasons Defense was unwilling or unable to get involved in this.

Ellsworth: (He stated the U.S. Government position that the development of Iran's capability to serve as a bulwark against Soviet or radical Arab threats to the security of the Persian Gulf area, particularly of oil production and transport, is of great value to the United States as well as Iran. However, he expressed skepticism that Iran could effectively employ new arms systems at the pace that the Shah has projected, due to constraints of skilled manpower, training, port capacity and other factors. Consequently, a slowdown in Iran's procurement of U.S. arms necessitated by financial constraints might be fortuitous. The Defense Department is not, he said, interested in promoting accelerated sales of arms abroad as a means of supporting the U.S. balance of payments. No bilateral oil agreement that implied any such Defense Department attitude toward arms sales would be acceptable. He also was concerned that a bilateral oil deal might work against the security in-

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL–153, Iran, Chronological Files, 1 January–14 April 1976. Confidential; Nodis. Drafted by Poats.

terests of our NATO allies, or be so perceived by them. Apart from these considerations DOD had no program of buying crude oil or staff to manage it. However, if the President ordered DOD to carry out an oil purchase-sale program, DOD would organize to do it.)

Ansary: If someone gave you the impression that Iran wanted this deal in order to buy more arms, they were wrong.

Ellsworth: Iranians have told me that. If that is not correct, I am glad to have your authoritative statement of the facts.

Ansary: Our purpose was to increase our oil exports to you by substituting for some of your present sources in supplying the Defense Department, thereby expanding our dollar earnings which could be used to buy your industrial goods, agricultural goods and military goods. We never got down to details on supply of oil to the Defense Department.

Ellsworth: We buy only refined products, no crude.

Ansary: We realized that you would have to pass it on to refineries, and that this required examination of the means—whether it was feasible. So far as Iran was concerned, this was one possible mechanism. But our only interest was to find a U.S. Government agency that we could work with on an oil agreement.

(Reviewed history of bilateral oil agreement idea and added) The idea was that the United States would have increased and reliable access to dependable source of supply. It also would enable the U.S. Government to avoid paying middleman profits to the majors. It also was necessary for Iran, as an OPEC member, to take into account its obligations under the OPEC rules. And, finally, Iran because of its need for your goods, offered a means of recycling which no other oil producer could offer you. The plan called for indexing in the context of His Imperial Majesty's acknowledgment that the U.S. rate of inflation would be lower than in Europe, so that it should not be necessary for the United States to be subject to oil price increases based on the higher rate of inflation in Europe. We would safeguard you in that at no time would you pay more than the prevailing OPEC price levels.

Ellsworth: The fact that the proposed deal would facilitate U.S. military exports to Iran should not be a dominant consideration, so far as I am concerned.

Ansary: Orderly and reliable supply of oil to the free world is important. But if we don't have the means to contribute to regional defense we can always crawl back into our shell and defend only our own borders.

Ellsworth: Let me be clear. We want to help Iran do what it wants to do and can do to strengthen its defense capabilities. But the suggestion that had been made that this deal would help the United States be-



cause it would improve our balance of payments through the expanded sale of military equipment to Iran, that is not our purpose.

Kissinger: Let's not have a theological debate. Right or wrong, the Shah thinks that Iran needs a certain level and certain types of arms. He thinks he needs a certain level of oil sales to finance this program. If he cuts back on this it would, in some degree, affect the security of Iran and of the United States. He has never said he would buy more arms if we bought more oil.

Ansary: Right.

Zahedi: Taking care of Iran or even the Persian Gulf area is not enough. The security of Iran extends beyond the Gulf. Today the Indian Ocean is of great importance to the United States as well as Iran. We don't want you to be involved if we can handle it.

Ellsworth (To Ansary): I particularly appreciate your authoritative statement that Iran never had in mind facilitating through an oil deal our sale of arms to Iran.<sup>2</sup>

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<sup>2</sup> Robinson reported to Kissinger on his final meeting with Ansary the following morning, during which Ansary professed himself reassured by the President's support for a bilateral deal but disappointed by his meeting with Ellsworth. The two agreed to meet again when the U.S. position was firmer and the Iranian oil-arms swap and consortium negotiations were concluded. (National Archives, RG 59, Central Foreign Policy Files, P840032–0681) In a wrap-up conversation with Kissinger, March 30, Ford observed: "I think we should ask the Iranians to hold the line on prices this summer. That would mean much more to us than a discount on 200,000 barrels a day." Kissinger replied, "I think we can get them to do that." (Ford Library, National Security Adviser, Memoranda of Conversations, Box 18)

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## 171. Editorial Note

In a January 30, 1976, memorandum, Clinton Granger and Robert Oakley of the National Security Council Staff reminded Brent Scowcroft that in response to Secretary of Defense James Schlesinger's request for an NSC review of U.S. relations with Iran (see Document 142), the President had opted for a review of U.S. defense and security policies in the entire Persian Gulf region. With the completion of NSSM 231 on Israeli military requests, they noted, the resources were now available for the Persian Gulf NSSM. (Ford Library, NSC Institutional Files, Box 42, NSSM 238 (2 of 3))

Subsequently, Scowcroft signed National Security Study Memorandum 238, "U.S. Policy Toward the Persian Gulf," February 13,

which called for an examination of U.S. political and strategic goals in the area and the development of policy alternatives for Iran, Iraq, Saudi Arabia, and Kuwait. The analysis was to assess the importance to the United States of the countries over the next 10 years, the prospects for stability and moderation in the Persian Gulf nations, the potential influence in the area of outside powers, and the liabilities and benefits to the United States of U.S. arms policy in the Persian Gulf in the short and long term. (Ibid., National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, Box 2, NSSM 238)

On March 30, Stephen Palmer, Jr., Director of the Office of Regional Affairs, Bureau of Near Eastern and South Asian Affairs, forwarded to his Bureau colleagues the Department of Defense contribution to the NSSM 238 response by Glenn Blitgen, Deputy Director of the Near East and South Asia Region, Office of the Assistant Secretary of Defense for International Security Affairs. The response warned that by not discouraging U.S. commercial firms from engaging in discussion of arms-for-oil deals, the U.S. Government seemed to tacitly approve of efforts to help Iran out of an oil revenue dilemma of its own making, and to endorse further major Iranian buys of U.S. arms. Calling Blitgen's remarks "some of the few really original, searching questions thus far posed in our 238 exercise," Palmer, in his covering memorandum, agreed that the NSSM study would be a charade to the extent that the United States approved of barter negotiations, and recommended that the United States adopt a static reassessment stance regarding new weapons commitments to the Gulf until a NSSM 238 response was completed. (Ibid., NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 5, Iran (6))

NSSM 238; the minutes of the Senior Review Group meeting on the subject on January 5, 1977; and the NSSM 238 Executive Summary, January 17, 1977, are scheduled for publication in *Foreign Relations*, 1969–1976, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

**172. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford<sup>1</sup>**

Washington, April 19, 1976.

**SUBJECT**

Negotiation of a Nuclear Agreement with Iran

Following your instructions (Tab D),<sup>2</sup> ERDA Administrator Seamans, accompanied by Under Secretary of State Maw, met with the Shah in Tehran to exchange views on those aspects of our draft nuclear agreement which remain unresolved. Dr. Seamans has reported to you in detail on the talks (Tab C),<sup>3</sup> and the Shah has responded to your letter carried by Seamans (Tab B).<sup>4</sup>

The discussions focused primarily on the question of chemical reprocessing in national facilities and our perception of its relationship to a global non-proliferation strategy. The Shah emphatically reiterated his commitment to non-proliferation objectives for his country and for the world. However, while he would want to consult with the U.S. and actively seek our cooperation (or that of other major nuclear supplier states) in establishing a reprocessing facility in Iran on a joint basis, he has been unwilling to commit to such a joint venture as the *sine qua non* for our approval of the reprocessing of U.S.-supplied fuel in Iran.

It was agreed in the meeting with the Shah that Dr. Etemad, President of the Iranian Atomic Energy Commission, would come here to make a concerted effort at resolving our differences and reaching ad referendum agreement on the provisions of a nuclear agreement. Dr. Etemad will be in Washington on April 20–21 for these negotiations, and your decision is needed on our negotiating position.

The lack of a nuclear agreement represents a serious irritant in our relations with Iran. It also is an obstacle to the leading US private enrichment venture—Uranium Enrichment Associates—in obtaining Iran's commitment to be a major investor and customer. It is in our interest, therefore, to be as forthcoming as possible, consistent with our non-proliferation objectives and Congressional attitudes.

The options for our position in our talks with Dr. Etemad are:

—Maintain our current position that reprocessing be carried out in Iran only on a multinational basis, with binational partnership between

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<sup>1</sup> Source: Ford Library, NSC Institutional Files, Box 64, NSDM 234. Confidential. Sent for action. A stamped notation on the memorandum indicates the President saw it.

<sup>2</sup> Not attached. See Document 162.

<sup>3</sup> Not attached. See footnote 4, Document 167.

<sup>4</sup> Not attached. See footnote 5, Document 167.

Iran and the supplier of the reprocessing technology (e.g., the U.S.) being an acceptable fallback.

—Same as above, however, if Iran is unable to find a partner(s), and we do not wish to participate, the U.S. would have the option to buy back (or exchange additional fuel for) Iran's spent fuel to obviate the need for reprocessing. Finally, if we were not to exercise the buy-back option, Iran would be permitted to reprocess in a national plant, with the understanding that the U.S. could supplement the safeguards of the International Atomic Energy Agency with bilateral measures.

The first option is our present position and has been rejected by Iran. It would be the most acceptable to Congress. DOD continues to support it, but could be expected to reluctantly accept the second option (agency views are at Tab E).<sup>5</sup>

The second option introduces the new concept of buy-back and we are uncertain as to Iran's reaction. For practical and philosophical reasons, they may not be willing to condition their reprocessing on an unpredictable future U.S. decision regarding buy-back. This second option would face greater resistance on the Hill than the first option but might still be acceptable. State and ACDA support the second option, and State would be willing to drop the buy-back provision as our final fallback position. ERDA prefers the second option and would support dropping the buy-back provision if, as they believe it will, the proposal proves unacceptable to Iran. DOD does not favor the second option out of philosophical concern for the proliferation impact.

It seems pointless and quite possibly counter productive to consider pursuing the first option. Our non-proliferation goals are largely met by the second option since it reserves to us the option to participate in an (eventual) Iranian reprocessing plant, either in the role of co-owner or as the provider of supplementary safeguards. I recommend you approve the second option and authorize the buy-back requirement be withdrawn if necessary to reach agreement. The overall position is consistent with our interest in maintaining close relations with Iran. Congressional and NRC support will be confirmed before returning the agreement for your approval.

*Recommendation:*

That you approve the second option and approve my signing the necessary implementing memorandum at Tab A.<sup>6</sup>

The Domestic Council concurs.

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<sup>5</sup> Not attached. See footnote 7, Document 167.

<sup>6</sup> Ford initialed his approval of the recommendation.

**173. National Security Decision Memorandum 324<sup>1</sup>**

Washington, April 20, 1976.

TO

The Secretary of State  
The Secretary of Defense  
The Director, Arms Control and Disarmament Agency  
The Administrator, Energy Research and Development Administration

SUBJECT

Negotiation of a Nuclear Agreement with Iran

The President has reviewed the report of Dr. Seamans and the recommendations of the addressees regarding our nuclear negotiations with Iran<sup>2</sup> and has approved the following negotiating position for the forthcoming talks convening on April 20 with the Iranian representative. The U.S. side should:

—Seek a strong political commitment from Iran to pursue the multinational/binational reprocessing plant concept, according the U.S. the opportunity to participate in the project. In addition to citing the economic rationale for such a facility, the U.S. side should underscore the potential role of the facility in serving mutual U.S.–GOI non-proliferation in the region by offering Pakistan the possibility of participation in a multinational plant as an alternative to a national reprocessing facility.<sup>3</sup>

—Seek a commitment from Iran to consult closely with us on its prospective reprocessing plans before making any firm decision whether multinational or otherwise. The U.S. side should offer to help Iran assess, in detail, the economic viability of proceeding with any reprocessing venture and the modalities of possible multinational configurations.

—In the event Iran agrees to make efforts to establish a multinational plant and is unsuccessful, the U.S. should have the option to recover the plutonium produced in US-supplied reactors or from

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<sup>1</sup> Source: Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, Box 1, NSDM 324. Confidential. Copies were sent to the Chairman of the Joint Chiefs of Staff and Director of Central Intelligence.

<sup>2</sup> See footnotes 4 and 7, Document 167.

<sup>3</sup> According to telegram 116392 to Tehran, May 12, the United States was deeply concerned at Pakistani plans to purchase a French reprocessing plant and a German heavy water plant, and hoped to enlist the Shah's aid in dissuading Pakistan from proceeding with its nuclear ambitions. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran, Chronological Files, 3 May–31 July 1976)

US-supplied fuel either on the basis of buy-back or a fuel exchange. Were the U.S. not to exercise this option, we would be prepared to consent to reprocessing in an Iranian plant subject to: (a) the continuing requirement that we be satisfied that the IAEA safeguards applied to the facilities are effective; and (b) Iranian agreement that the U.S. could supplement these IAEA safeguards through the assignment of U.S. technical personnel, if necessary. Should it prove essential, in the view of the negotiators, to the achievement of an ad referendum agreement, they are authorized to withdraw the plutonium buy-back option.

—Seek (1) to maintain the integrity of the text of the basic draft Agreement for Cooperation in the Civil Uses of Atomic Energy,<sup>4</sup> which includes a provision requiring mutual consent for the reprocessing, storage, and fabrication of plutonium derived from U.S. fuel or reactors, and (2) to provide Iran in an accompanying note a statement of the conditions, as outlined above, under which U.S. consent would be granted. If Iran objects strongly to this arrangement, the U.S. side should, in return for a clear high-level commitment from Iran to pursue the binational/multinational concept, agree to incorporate the statement of the conditions of consent in the body of the agreement.

If an ad referendum agreement is reached, key members of Congress and the Nuclear Regulatory Commission should be consulted to judge the acceptability of the agreement.

**Brent Scowcroft**

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<sup>4</sup> See footnote 3, Document 115.

**174. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, April 25, 1976, 1215Z.

4128. Subj: Popular Ayatollah's April 7 Murder in Isfahan. Ref: Tehran 3618.<sup>2</sup>

1. [Garble—Event?] described in reftel continues to simmer. [*less than 1 line not declassified*] increasing number of people in Isfahan believe SAVAK itself may have killed Shamsabadi (corrected spelling). Correspondents from a Tehran newspaper, themselves Mullahs, reported from Isfahan that robbery clearly not motive, as 100,000 rials found on Shamsabadi's body. More ominous is fact Ayatollah had been regarded as leader of religious opposition to recent change of Persian calendar from Moslem religious to Persian dynastic base and had delivered very strong speech against new calendar day before his murder.

2. Fears of SAVAK involvement in killing have led several potential witnesses to withhold information from police investigators [*less than 1 line not declassified*]. Some Isfahanis believe killing was work of overzealous SAVAK subordinates and that Shah and SAVAK leaders not involved. Suspicions of official complicity heightened by initial version of police report which said death due to auto accident.<sup>3</sup>

3. [*less than 1 line not declassified*] group of religious leaders met with Ministry of Interior in Tehran April 13 to urge official day of mourning be proclaimed. Ministry of Information ordered news of this meeting kept out of media and on April 14 ordered end to front-page coverage of killing by local press and prohibited foreign language papers from any coverage. On April 18 [*less than 1 line not declassified*] what appeared to be a government-placed counter-rumor appeared in a "SAVAK-controlled press channel" that Shamsabadi had resisted a more modernistic interpretation of Islam at a seminar one week before his death. Young Mullahs then allegedly brought about his death because he represented an obstacle to modernizing Shi'ite doctrine.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760157–0343. Secret; Noform.

<sup>2</sup> In telegram 3618 from Tehran, April 11, the Embassy reported that a popular Muslim religious leader of Isfahan, Ayatollah Seyed Mohsen Shamsabadi, was murdered, and his funeral procession was attended by over 50,000 people. The Embassy noted that the Iranian security forces hypothesized that a terrorist group was responsible, but added that Mujahidin-e-Khalq, which claimed to protect Islam against the corrupting values of the Shah and the West, was not likely the culprit. (Ibid., Central Foreign Policy Files, D760138–0058)

<sup>3</sup> According to telegram 3618, Shamsabadi was forced into a car and choked to death.

4. Shah reportedly upset by blame being levied on SAVAK and has ordered complete inquiry into murder, adding that killers, when caught, will receive strongest possible sentence.

5. AmConsul Isfahan reports continued uneasiness in city. Shops closed for traditional one week mourning period and many of these, especially in northern part of city where Shamsabadi lived, failed to re-open until two–three days after mourning period. [*less than 1 line not declassified*] senior SAVAK officials believe terrorists may have engineered killing to throw suspicion on SAVAK and create just this sort of unrest in Isfahan. To date, SAVAK has been unable to link killing to terrorists.

**Helms**

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**175. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, May 16, 1976, 0910Z.

4921. Please pass to FEA for Administrator Zarb. Subj: Shah Comments on Oil Prices.

1. At conclusion of audience evening of May 15, Shah commented that Administrator Zarb's visit to Tehran was a "washout."<sup>2</sup> Before I had a chance to reply, the Shah continued, "We are not a colony." When I asked what he meant by that remark, the Shah replied, "Mr. Zarb's offer to Ansary was so ridiculous that he must think that Iran is a colony of the United States."<sup>3</sup> After I had forcefully remonstrated, the Shah ceased putting me on, his tone of voice changed and he became more reasonable. He stated, "You know very well that it is inevitable that the price of crude oil will rise, if not in the next couple of months then later on. You remember that we sold some oil to independent companies a couple of years ago for \$35 a barrel. Obviously this was an ex-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760189–0959. Secret; Priority; Exdis.

<sup>2</sup> Zarb visited Tehran May 7–10. The Embassy transmitted a full record of Zarb's meetings with various Iranian officials in telegrams 4694 and 4770 from Tehran, May 10 and 11. (Both *ibid.*, D760179–0725 and D760181–0440)

<sup>3</sup> According to telegram 105198 to Tehran, May 1, the FEA's Strategic Petroleum Reserve purchase plan required foreign suppliers to deliver crude oil in U.S. flag vessels to salt domes in the U.S. Gulf coast area at a total price of \$11 per barrel, a discount of over \$4 per barrel on Iranian prices. (*Ibid.*, D760168–0074)



treme and unusual situation, but even so I would think that the price of oil would eventually rise to \$25. Incidentally, I have been doing some figuring and I am willing to wager that your Alaska oil delivered to a refinery in the United States will cost \$16 per barrel." The Shah then noted that the United States seems to have forgotten about the energy crisis and the American public has gone back to a business-as-usual life style. He commented, "Only the price of oil is going to oblige your country to seek alternative sources of energy."<sup>4</sup>

2. At this juncture I had an opportunity to make the point that I regarded Mr. Zarb's visit to Iran as a most useful one. I explained to the Shah why I felt this to be so including the fact that it had provided an opportunity for Mr. Zarb to explain to Minister Amouzegar and other Iranian officials what US policy on oil conservation and alternative sources now is. The Shah snapped back, "Do you have a coherent energy policy?" I then went over in some detail what Mr. Zarb had had to say here about conservation and about work being done in the United States on other sources of energy.

3. *Comment:* I have put much of the foregoing in direct quotes in order to convey the flavor of the Shah's reactions. These should not be taken personally by Mr. Zarb or any other USG official. The Shah fights hard for his point of view, but his rhetoric should not be overread any more than he overreads public statements of US officials opposing his oil policies.

4. Commenting on recent gas finds in Iran, the Shah noted that almost every well that has recently been drilled, whether on land or in the water, has demonstrated the presence of quantities of gas. The Shah now estimates that Iran may have as much gas as the Soviet Union "or even more." This led to a discussion of the NIOC/Distrigas/El Paso LNG project. The Shah ruminated as to why it was taking El Paso so long to work out the necessary arrangements. He noted delays caused by debate over pipeline vs. the Suez Canal route, then over the rate which the Egyptians would charge for use of the canal. He expressed concern re anticipated delays when time comes to obtain rulings of the Federal Power Commission.

**Helms**

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<sup>4</sup> In telegram 5497 from Tehran, May 31, the Embassy noted that the Iranian delegation at the OPEC meeting in Bali May 27–28 agreed to postpone oil price hikes until March 1977, reportedly due to the Shah's reluctance to disturb Washington prior to the U.S. election. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 5, Country File, Iran (7)) In a June 3 note to Kissinger, Atherton pointed out that Iran was motivated more by Saudi opposition to an increase, King Khalid's presence in Tehran, and the weak demand for heavy crudes. (National Archives, RG 59, Central Foreign Policy Files, P830160–1779) Kissinger sent the Shah his and Ford's appreciation in telegram 138939 to Tehran, June 5. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 5, Country File, Iran (7))

# 176. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, May 18, 1976, 0850Z.

5025. Subj: Ayatollah's April 7 Murder in Isfahan. Ref: Tehran 4128 and 3618.<sup>2</sup>

1. Local press announced May 16 arrest of four men who had confessed to killing Ayatollah Shamsabadi (see reftels) for extremist religious reasons. Both English and Farsi press played up confession by three of accused (Hasemi did not appear) at press conference May 15. Three claimed they were adherents of exiled clergyman Mohammad [*Ruhollah*] Khomeyni and drew on anti-Shi'ite writings, principally the book *The Eternal Martyr* for their ideology.

2. Accused are Mohammad Hossein Jaafarzadeh, geology student; Assadollah Sharfizadeh, kerosene retailer; Mohammad Esmail Ebrahimi, auto repairman; and theology student Seyed Mehdi Hashemi. Shafizadeh and Jaafarzadeh said they committed actual crime, with Hashemi as originator of plan and Ebrahimi as accomplice. None have previous records of radical activity. Shafizadeh and Jaffarzadeh said they conspired to kill Shamsabadi to jolt clergy out of their complacency and make them do something for the nation. Pair held view that clergy collected religious endowments and spent funds on their own high living while ignoring their duty to the public. Shafizadeh said assassination of a few religious leaders would make clergy revise their ways in the public interest.

3. AmConsul Isfahan reports bazaar there largely closed May 15 with mourning flags and black banners much in evidence. Unusual feature of mourning was presence of several lighted mourning stands (*hejleh*) which normally used only for young person killed before reaching prime of life. This may have been extraordinary way of showing popularity of Ayatollah.

4. [*less than 1 line not declassified*] in Isfahan paint entirely different picture of motivation surrounding killing. Isfahani layman close to local religious leaders says Shamsabadi was supporter of Khomeyni and vocal critic of government. Ayatollah was also in charge of collection and delivery of funds from local religious community to support Khomeyni. Actual collection was done by Shamsabadi's personal secretary, who disappeared just prior Iranian New Year holidays (March

<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760191–1204. Secret; Noform. Repeated to Baghdad.

<sup>2</sup> See Document 174 and footnote 2 thereto.

21) and has not been seen. He is believed to have been arrested by SAVAK for his role in fund handling.

5. Press coverage of killing has portrayed Shamsabadi as popular government supporter who has spoken out against book *Eternal Martyr*, which is anti-Shi'ite. [*less than 1 line not declassified*] said this is false and that Shamsabadi was devoted to Khomeyni and agreed with him in his support of the book's viewpoint.

6. *Comment*: It seems unlikely that Shamsabadi would have been selected as target by people concerned about clergy's high living when he was one of Isfahan's most popular clerics. Whichever version of killing, or mix of stories, is true, fact is that GOI has had difficulties handling case. Some Iranians still believe the GOI itself had Shamsabadi killed because of his ties to Khomeyni. We expect GOI will now make major effort to sweep whole case under the rug.

**Helms**

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**177. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, May 19, 1976, 1316Z.

5127. Subj: MAAG Requirement Study. Ref: (A) State 119079 (DTG 141703Z May 76), (B) 75 Tehran 11995 (DTG 110730 Dec 75) (Notal).<sup>2</sup>

1. Elimination or sharp reduction in size of U.S. security assistance elements in Iran would effectively nullify present Iranian plans for military modernization, seriously damage U.S. political, economic, commercial and military relations with Iran and critically weaken U.S. stra-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760194–0078. Confidential; Immediate. Repeated to SecDef, USCINCEUR, and CJCS.

<sup>2</sup> In telegram 119079 to Tehran and other posts, May 14, the Department advised that the President had vetoed the foreign assistance bill which required the disestablishment of certain MAAGs by September 1976 and the rest by 1977 unless specifically authorized by Congress. Since Congress was revising the legislation, however, an inter-agency study was being undertaken to identify which countries continued to require the presence of MAAGs. The Department therefore requested that the Embassies submit evaluations justifying such missions. (Ibid., D760189–0441) NSSM 243, "MAAG Requirement Study," May 10, directed the preparation of the study. (Ford Library, National Security Adviser, National Security Decision Memoranda and National Security Study Memoranda, Box 2, NSSM 243) Telegram 11995 from Tehran, December 11, 1975, on the subject of a letter to Senator Humphrey on the foreign assistance bill, is in the National Archives, RG 59, Central Foreign Policy Files, D750430–0826.

tegic position in this region. It is difficult to conceive a more harmful action that U.S. could take against Iran or against our own overall interests here. Urge that highest priority be assigned to retention of U.S. security assistance group in Iran at current manning levels.

2. As we see it, there are three powerful factors in support of this recommendation:

A. U.S. military ties to Iran have longer and more stable history than is case with most other countries, including most NATO members. Since World War II U.S. has provided most of equipment and technical advice for Iranian armed services. Our performance has been excellent and, in consequence, we are trusted as is no other country with a military link to Iran. Over past three decades, our behavior and effective working relationship with Iran, rather than any formal agreements or assurances of our leaders, have created a commitment that is heavily relied upon in this country. Although Iranians may not now expect us to exercise kind of influence we used with USSR during Azerbaijan crisis, they do expect us to continue to help them help themselves to defend their own and Western interests in this region. They do not expect from us shoddy treatment Soviets have given their friends such as Egypt and Indonesia.

B. More than any other country of comparable size or importance, Iranian sovereign is de facto commander-in-chief of his nation's armed services. The Shah personally makes decisions on major weapons systems procurement and management of his military establishment. He relies heavily on U.S. advice and continued good performance. Were we to back off in significant way from Shah's level of expectations, we could expect his reaction to be personal and forceful.

C. During past four years, we have signed more orders for military goods and services with Iran than with any other country. Only about 25 percent of ordered equipment has been delivered to date, and next few years will see arrival of bulk of hardware and rigorous testing of Iranian absorptive capacity. Implied in our willingness to sell this equipment has been understanding that we would stand behind it with training, logistics and management support. Included on Iranian order list are some of our most sophisticated weapons systems such as F-14, Spruance ships, and I-Hawk. Putting these systems to effective use in Iranian armed forces, which have limited managerial and technically skilled personnel, will severely strain Iranian capabilities. In fact, it is clear that without outside assistance, effective use cannot be made of most complex weapons systems. Although heavy reliance is placed on services of civilian contractor personnel, role of official U.S. DOD personnel is crucial in providing overall management assistance and advice to GOI. In Iranian Air Force, logistics system is integrated with USAF supply sources. Similar supply linkages exist with IIGF heli-

copters and new naval system. Termination of U.S. military role would reduce Iranian logistics networks to chaos.

3. Should we not be able to avoid Congressional limitations on our military presence in Iran as outlined in current legislation, we foresee following possible consequences:

A. Cancellation of number of major military weapons systems procurement actions with U.S. and probable refusal of GOI to settle on our terms.

B. Sharp reduction or cancellation of orders from U.S. firms in civilian sector.

C. Political/economic actions against USG interests, including conceivable association with any future Arab oil embargo, less cooperative posture on regional, U.N. and other international matters, and complete loss of leverage over Iranian transfers of weapons to third countries.

D. Growth of selfishly motivated civilian defense contractor influence in Iran without countervailing USG voice. As GOI would be subject to heavy contractor pressures, absence of any meaningful military presence here would require that we respond to Iranian requests or initiatives with legislation or other equally blunt instruments, e.g., denial of certain sales, rather than persuasion.

E. *[4 lines not declassified]*

F. Repercussions throughout region if U.S. were to treat with so little consideration a faithful ally which has, in fact, taken no action against U.S. interests (unless one wants to mention oil prices) nor in any way worked against U.S. policy. No country in this region could feel secure in its relationship with U.S. Soviet influence, now at relatively low ebb, would grow apace.

4. In summary, our inability to overcome Congressional strictures on military presence in Iran would be disastrous.

5. We believe that manning levels should be continued at roughly current level. Presently we have 209 U.S. positions assigned to MAAG, 728 technicians under TAFT contract, 438 support personnel (including TAFT component) and 128 other security assistance personnel. Total of 1,500 personnel should be adequate for next 2–3 years. There will be fluctuations up and down as some technicians finish their work on projects and others begin new tasks. All but 8 MAAG spaces and 70–80 percent of other elements will be funded by GOI in FY 77, a small increase in GOI support over FY 76 financing. As our military presently is organized according to historical rather than rational principles, some reorganization within numbers allotted is planned in near future.

6. There are no rpt no satisfactory alternatives to present DOD manning levels in Iran. We see no point in erecting alternative straw

men (e.g., contractor or third country substitution) only to knock them down. To extent that DOD numbers are cut back, we would suffer some of effects listed in para 3 above.

7. DefRep, Chief, ARMISH/MAAG, and I have been engaged in effort to restrict number of personnel to lowest level practical. These efforts will continue and are far preferable in terms of USG interest, we believe, than imposition by Washington of radical cuts or arbitrary ceilings.

8. U.S. DefRep and Chief, ARMISH/MAAG concur. See also Ref (B) for additional points.<sup>3</sup>

**Helms**

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<sup>3</sup> In response to this assessment, Edward Padelford (NEA/RA) ranked Iran second of the countries in which NEA was interested in retaining a MAAG. In a memorandum to his NEA colleagues, June 14, Padelford wrote: "We have ranked [Iran] below Saudi Arabia only because we feel that the Iranians would have a greater capability to continue to maintain Defense readiness without a U.S. mission, than would the Saudis." (Ibid., P820091–0591)

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**178. Memorandum From the Deputy Secretary of State  
(Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, June 5, 1976.

**SUBJECT**

Bilateral Oil Negotiations with Iran

Frank Zarb has devised a proposal for a six-year agreement to buy Iranian oil for the Strategic Petroleum Reserve at a fixed price of about \$11.25 per barrel. He hopes to get clearance from you, Simon, Greenspan, Lynn and Scowcroft this weekend and present it to the President on Monday,<sup>2</sup> check it out with some key Congressmen (without identifying Iran) on Wednesday, and put it to Ansary in London on Friday afternoon.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840132–0004. Secret; Nodis.

<sup>2</sup> June 7.

A draft of Zarb's memorandum to the President is attached.<sup>3</sup>

I have discussed the concept with Zarb, Greenspan and Scowcroft during its formulation and encouraged Frank's acceptance of responsibility for working out a mutually attractive deal.

In brief, FEA would seek legislation enabling it to offer to a dependable foreign supplier a contract to supply oil at today's prices over the six years required to fill the Reserve, starting in 1977. In order to induce the supplier to accept a price freeze, the legislation would empower FEA to offer a substantial advance payment at contract-signing, a further substantial advance payment when the first oil is shipped, and the balance at the completion of the deliveries in 1982. If Iran is the supplier, the maximum amount of purchase could be about 300 million barrels, or 140,000 barrels per day, with 40% of this in heavy crude and 60% light. These proportions are important to Iran's reaction to the proposition, because Iran now is selling all the light crude it can produce.

For Iran this proposition offers the advantage of a cash advance of at least \$1 billion (Zarb wants authority to go as high as \$1.6 billion), thereby obviating Iranian borrowings abroad at about 9% interest, and incremental sales of about 45,000 barrels per day of heavy crude. For these gains Iran would have to take off the commercial market about 75,000 barrels per day of light crude and sell it to FEA at a fixed price, foregoing likely commercial sales at rising prices.

For the United States, this proposition would assure reliable additional oil supply for three-fifths of the Reserve at a fixed price while market prices probably rise by at least 5% annually. If the 5% average annual OPEC price increase prediction is correct, the fixed price feature would save FEA about \$500 million.

I doubt that Ansary will accept these terms, but there is enough balance in the proposition to make it a legitimate offer. OMB and Treasury may object to what amounts to a loan to Iran and a very large FY 77 appropriation to fund the advance payment. Zarb is hopeful of getting Congressional support, but this has not yet been tested.

I have agreed to his suggesting a meeting with Ansary to present the plan on next Friday,<sup>4</sup> provided he obtains full Administration sup-

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<sup>3</sup> Attached but not printed.

<sup>4</sup> Zarb met with Ansary on June 11. In an August 3 memorandum to Kissinger, Zarb recounted that Ansary was uneasy with a price freeze for such a small volume of sales, but appreciated the ideas of advance payment and an expanding petroleum reserve and promised to make counterproposals. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran, Chronological Files, 1 August–1 November 1976) On August 12, Robinson sent Kissinger a report of Zarb's August 9 follow-up meeting with Ansary, during which Ansary knowingly presented "unattractive" counterproposals, including a rejection of the price freeze, a reduced price discount, and payment of 25 per-

port well before departure. I propose to send Rud Poats along to show the State Department's continued interest, to help with the tactics, and to give us an independent basis for communicating with Ansary after the meeting.

*Recommendation:*

I recommend that we clear Zarb's memorandum to the President and support his efforts to obtain OMB, Treasury and CEA endorsement.<sup>5</sup>

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cent of the total sale up front. Zarb concluded that Ansary was under no pressure to make a deal. (Ibid.) See Document 189.

<sup>5</sup> Kissinger initialed his approval and wrote: "except that I would defer Congressional consultation until we see what Ansary's reaction is. Otherwise we will be faced with having to defend a less favorable deal."

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**179. Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, July 29, 1976.

**Sale to Iran of 150 F-16's**

The Shah has requested a Letter of Offer for 150 F-16's and the Department of Defense expects to be ready to send an advance notice to Congress within the next two weeks. At a later date, he may wish to order an additional 150 aircraft. The Shah may raise with you the status of the F-16 deal. DOD has produced a plan which it believes will meet Iranian approval. We need your decisions on the sale and the sending of the advance notice to Congress.

*Discussion*

Over the past two years the Shah has frequently stated his intent to purchase the F-16 or F-17, whichever won the "fly-off," to replace his F-4's and F-5's by the mid-1980's. He saw a demonstration of the F-16 during his visit to the United States in May 1975. The U.S. Air Force has

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (11). Secret. Drafted by Naas on July 28 and cleared in draft in H, PM, ACDA, and S/P and by Oakley. Sent through Habib.



been preparing a master plan for the F-16 for the U.S. and European production and purchases and to fit the sale to Iran into this plan. Ten F-16 trainers will be provided Iran in the United States during 1979 for instructor pilot training, and delivery of the remaining 140 planes will commence at the rate of four per month in mid-1980. These delivery dates meet the Iranian wishes.

Because of his lowered foreign exchange earnings from oil (particularly in the period October 1975–February 1976) and the enormous financial demands for economic development and other military purchases, Iran has been negotiating with General Dynamics, the F-16 manufacturer, and with Litton Industries, manufacturers of the Spruance destroyers, to arrange a “barter” oil deal. According to this plan, two independent U.S. oil companies will receive Iranian crude—additional to current imports of Iranian oil—and place the sales receipts in a special account tied to the purchase of the F-16s and the Spruance destroyers. Under the terms currently being negotiated, Iran will also gain substantial equity in Ashland Oil (20 percent in non-voting debentures) which is affiliated with Litton, and the New England Petroleum Company (25 percent) which is affiliated with General Dynamics. These deals, coming on the heels of the Iran–Occidental Oil agreement,<sup>2</sup> will likely arouse considerable Congressional and press criticism and xenophobic fears that Iran is gaining too large an interest in the United States energy market. Moreover, the questions of the F-16 purchase, and the barter deal, standing alone, can be expected to raise questions with Congress. We are likely to have difficult Congressional hearings in connection with the F-16 LOA.

In the last year there has been increasing recognition that Iran’s capability to absorb effectively large numbers of advanced weapons systems is severely limited by the paucity of trained manpower, long military construction delays, inadequate ports, and internal transportation systems. Also, our management of this huge FMS program (over \$10 billion) has encountered problems.

Ambassador Helms has recommended that no further Letter of Offer for an important and complex system be offered Iran for signature until a thorough briefing is given Iranian authorities on the life cycle costs, training and facility needs, et cetera, so that the Iranians un-

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<sup>2</sup> On June 20, Iran and the Occidental Petroleum Corporation signed a Letter of Intent on a proposal for a \$125 million Iranian investment in Occidental in exchange for Occidental’s purchase of 50,000 barrels per day of heavy crude oil over 5 years and a series of joint ventures. On August 2, Malcolm Butler forwarded to Scowcroft a detailed examination of the deal prepared by the Treasury Department for the President. (Library of Congress, Manuscript Division, Box CL-153, Iran, Chronological Files, 1 August–1 November 1976)

derstand what they are getting into.<sup>3</sup> The Department of Defense agrees with this and is preparing such a briefing for the F-16 to supplement earlier material given to the Iranians. We frankly do not expect such briefings to result in negative decisions to buy systems but, at least, we will have specifically advised them on the record of the impact of their decision.

NSSM 238 has highlighted these absorption problems and a report of the Humphrey Sub-committee to be issued soon will do the same.<sup>4</sup> Furthermore, the armament program is a heavy drain on the civilian economy, especially regarding trained manpower. It could be argued that we would do the Shah “a favor” by delaying the sale of additional complex systems. ACDA believes that such a delay would also increase the possibility that the F-16’s would replace, not supplement, the F-4’s and F-5’s.

As you know, some Congressional and press critics have expressed alarm at what they perceive as the growing armed might of Iran and will be strongly opposed to the sale of yet another advanced system. ACDA believes that assurances that the F-16’s would in fact replace the present F-4’s and F-5’s on a one-to-one basis could help to assuage such fears and would obviate the possibility of Iran’s ending up with a force of 600 advanced fighters that would raise general arms control concerns.

Because of our 1972 arms sales policy, and subsequent discussions on the F-16, there is no question in the Shah’s mind but that we will sell the F-16. A decision to turn him down at this point would create serious frictions in our relationship. Agreement to the sale now, but a delay in commencement of deliveries—say until 1981–82—would arouse a slightly less serious reaction but the Shah is intent on a 1979–80 delivery schedule and Department of Defense discussions with the Government of Iran have proceeded on this basis.

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<sup>3</sup> In telegram 6825 from Tehran, July 6, the Embassy expressed the view that, given Iran’s limited capacity to absorb sophisticated military equipment, the United States could avoid disappointment by alerting Iranian officials to the requirements of new weapons systems. Telegram 7646, July 28, reiterated the view that Iran be fully briefed on the implications of the acquisition of the F-16’s. (Both in National Archives, RG 59, Central Foreign Policy Files, D760260–0439 and D760292–0114)

<sup>4</sup> Regarding NSSM 238, see Document 171. On August 1, a Senate Foreign Relations subcommittee on foreign assistance chaired by Senator Hubert H. Humphrey published a staff study on U.S. military sales to Iran. As summarized in *The Washington Post* on August 2, the report claimed that Nixon’s decision in May 1972 to allow Iran to buy all it wanted “preempted State and Defense Department review of the sales to that country.” On August 13, Kissinger commented to Ford: “This Humphrey [Senate subcommittee] report was a disaster. We have no better friend than the Shah. He is absolutely supportive.” The Secretary noted that Ellsworth’s former staff assistant “did the study and Bob is anti-Iranian. Then the Jews want to stop arms to the Middle East and there is an anti-arms sale binge on the Hill.” (Ford Library, National Security Adviser, Memoranda of Conversations, Box 20)

To sum up, our existing policy and the political/strategic importance of Iran argue in favor of approving the sale and sending the advance notice to Congress. Iran's questionable capabilities to absorb the system without an adjustment in priorities, the increasing domestic criticisms of our Iranian arms sales policy and the likely reaction to the oil barter relationship would favor delay or a negative decision.

We need to provide a full briefing to Iran on all aspects of the program and develop a unified Administration plan for dealing with Congress. The Iranian briefing should be given at the same time the advance notification goes to Congress. Any problems which arise from the briefings should be reflected in the final LOA.

*Recommendation:*

NEA favors a decision to sell the F-16 and to send the advance notice to Congress when it is ready. DOD would brief the Government of Iran as recommended by Embassy Tehran.

ACDA recommends a constraint that each F-16 replace an F-4 or F-5 on a one-to-one basis.

Alternatively, that we turn down the Iranian request to buy.

Or, alternatively, that we try to convince the Iranians that deliveries for Iran should be scheduled for 1981–82 or later. (ACDA favors this option in the absence of a one-for-one replacement constraint.)<sup>5</sup>

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<sup>5</sup> There is no indication of which option Kissinger approved. However, in his August 6 meeting with the Shah, Kissinger discussed notifying Congress of the F-16 sale. See Document 183.

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## 180. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, August 1, 1976, 0920Z.

7765. For the Secretary from Ambassador. Subject: Your Visit to Tehran: The Shah's Mood and Major Issues.

1. Complicating factor in our work these past weeks of planning your visit has been strong desire on part of GOI to make your stay as

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840090–1751. Secret; Immediate; Nodis.

useful to you as possible. There has been great reluctance to make any arrangements that might not match your preferences. Clearly, Iranians see your trip in very personal terms, and in context of high regard Shah has for you. You will find the Shah as cordial as ever and appreciative of your efforts in this region and the world at large.

2. There are, however, two features of the Shah's mood that have acquired considerable importance since you last saw him. First is Iranian feeling of being "pushed around" or used by the US. Second is a concern that the US lacks political will to deal effectively with its adversaries and that it may retreat to neo-isolationism. Underlying both of these concerns is GOI frustration over diminished oil revenues, persisting world inflation and heavy Iranian demands for development. Although crude off-take has recovered from the low levels reached 6–8 months ago, cash flow problem is still quite serious and large number of projects have had to be cut back or delayed. In other words, Shah's grandiose vision of Iranian development has had to be scaled down both in terms of nation's international role and civilian and military development programs. As you are aware, Shah is not a leader who likes to operate within externally imposed constraints.

3. For this reason, he is particularly sensitive to what may appear to be "pushed around" by the US mainly on four issues:

(A) Basic disagreement between US and Iran over Iran's plans for nuclear development center on our desire for firm controls over reprocessing of nuclear fuels and Iran's unwillingness to concede any outside interference which may derogate from its sovereignty. Iran wants our technology and financial participation in development of nuclear capability which Shah expects to fill gap as petroleum output declines during decades ahead. Iran wants our assistance on commercial terms without our political interference which is perceived as suggesting that Iran is somewhat untrustworthy or can be treated as a second class power. We hear from Ansary that this issue is becoming increasingly irritating to Shah and he very probably will raise it with you, feeling that it is a matter too important to be left to technocrats (cf Tehran 7123).<sup>2</sup>

(B) Second issue is apparent impasse we have reached in CIEC deliberations over maintenance of purchasing power and LDC debt re-scheduling. Iran sees our role as that of status quo power unwilling to take any concrete actions on these problems but preferring to study them interminably. Here we have conflict not only with Iranian desire to reorder world economy on more favorable terms to its own interests, but also Iranian aspirations to act as a leader of LDC groups on these two questions.

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<sup>2</sup> Telegram 7123 from Tehran, July 13, pointed out that the Shah should be notified that the United States had no plans to provide technology or equipment for a nuclear re-processing plant. (Ibid., P840090–1744)

(C) Third issue under the heading of “US pushing Iran around” has to do with the way we handle our defense business here. Although we can offer technical explanations for correctness of most of our actions, we have not been able to deal with growing Iranian feeling that their defense purchases from the US are being handled on an unequal basis, not with parity and respect they expect in a seller/buyer relationship. GOI does not understand why, for example, interest is not paid on FMS funds held by DOD for Iranian purchases. We know interest payments are contrary to US law, and we are trying to make arrangements which will satisfy Iran. Nevertheless, when they put that incident together with fact that we delayed issuance [*Spruance*?] ship deliveries while requiring advance payments, it makes Iranians think they are being used. It annoys them when we deny release of sophisticated new hardware which is standard on planes or ships we have agreed to sell Iran. You may hear of specific defense matters from the Shah, especially oil-for-arms barter which may be only means money-short GOI can use to finance new weapons purchases.

(D) The Shah is by now pretty well convinced that we have been teasing him along on efforts to work out a bilateral oil agreement over these many months and that we are really not serious about trying to finalize an arrangement. Nevertheless he will continue to play the string out as long as we are prepared to.<sup>3</sup>

4. Second major element in Shah’s attitude is feeling that US is undergoing crisis of political will. He recognizes effects on national morale of Watergate/Viet Nam trauma and peculiar political process we must undergo during election year. He hopes that mood he perceives in US is temporary, but given attitude of Congress on arms sales and his lack of familiarity with Democratic Party leadership, he fears, I believe, our current preoccupations may be longer lasting. As an aside, I should note that the Shah’s perception of US Congressional attitude towards Iran and particularly Iran’s defense build-up leads him to buy now, rather than wait until attitudes become even more difficult. Of course, these protective acquisitions only exacerbate the problem with Congress and the press.

5. Shah’s perception of US indecision and weakness coincides with his view of more determined Soviet attitude towards Middle East and Indian Ocean regions (cf Tehran 6934).<sup>4</sup> As you know, he was particu-

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<sup>3</sup> Telegram 229942 to Tehran, September 17, transmitted a revised proposal from Zarb to Ansary, which contained a new formula for negotiation. (Ibid., D760350–1267) See Document 189.

<sup>4</sup> In telegram 6934 from Tehran, July 8, Helms conveyed the Shah’s suspicion that the Soviets hoped to lull Iran into dropping its guard and perhaps reducing its purchases of U.S. arms. The Shah was also convinced that Iranian terrorists were being funded by the Soviet Union. (National Archives, RG 59, Central Foreign Policy Files, P840090–1747)

larly disturbed by Western setback in Angola. He has similar fears for leftward evolution in Africa generally, particularly on the Horn, as well as his long-standing uneasiness about instability in Arabian Peninsula and along Afghan-Pakistan borders. He will probably address these matters.

6. On Arab questions, Shah is deeply concerned by drift in Lebanese crisis, particularly any development that might endanger Asad and lead to his displacement by Syrian elements more favorable to Iraqi Baathists. Shah will certainly speak to you about his fear of a “red crescent” formed by Iraq and Syria and threatening Jordan, even though you have exchanged views on this subject in context of Sadat’s recent visit here. For similar reasons he fears a Palestinian state which could exert radical pressure first on Jordan and then on Saudi Arabia and the smaller Peninsula states. As you know, he places heavy emphasis on Sadat’s moderating role in this conjuncture, but he has not altered his relationship to Israel and indeed may have moved to strengthen it.

7. In this connection, you should be aware that Israeli Prime Minister Yitzhak Rabin secretly visited the Shah in mid-July. He came with the Israeli Intelligence Chief, clandestine arrangements in Iran being made by SAVAK. The secrecy surrounding the visit can be judged by the fact that despite my best efforts at flycasting, I could elicit nothing from either the Shah or Uri Lubrani, the unofficial Israeli Ambassador, although the latter was glad to tell me about Yigal Allon’s visit early this year (cf Tehran 0085).<sup>5</sup> Rabin’s coming here was followed almost immediately by General Toufanian’s unexpected visit to Israel, also a relatively clandestine event. What the Iranians and Israelis are specifically cooking up in the arms field remains to be ascertained, but the Shah has a complex game going with both the Israelis and the Egyptians, the obvious purpose of which is to exchange or at least have available certain kinds of ammunition and weapons which are not subject to US Congressional control or veto.

8. These are the major questions we face as I see it. Although both sides recognize there are no simple answers, the Shah will expect an authoritative updating from you on U.S. attitudes in this election year. This will constitute the best tonic we could administer to Iranian-US relations at this time.

**Helms**

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<sup>5</sup> Telegram 85 from Tehran, January 5, described Allon’s visit to Tehran. (Ibid., P840096–1780)

**181. Backchannel Message From Robert B. Oakley of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, August 6, 1976, 0950Z.

Hakto 7. 1. The following draft statement includes the themes suggested by HAK, as embellished by Roy Atherton, Peter and myself. HAK and all of us here are delighted that the White House is seizing the initiative with a statement.<sup>2</sup> HAK told us this morning he intends to use the same themes in his toast tonight and his speech to the Joint Commission tomorrow.<sup>3</sup> He will follow-up at the press conference.<sup>4</sup> To the extent possible, Nessen and the State Spokesman should duck Q's and A's until HAK has held his press conference.

2. *Begin text:*

Draft statement for Ron Nessen

The *Washington Post* editorial<sup>5</sup>—and several other commentaries which have appeared in the media since the release of the report of the Humphrey Subcommittee<sup>6</sup>—suggest that the United States involvement with Iran is a one-way street running against our national interests, that it carries with it the danger of dragging the United States into a war against our will, and that our close relationship should therefore be diluted if not terminated. It is the view of the President that nothing could be further from the truth than this topsy-turvy view of

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<sup>1</sup> Source: Ford Library, National Security Adviser, Trip Briefing Books and Cables of Henry Kissinger, Box 40, Kissinger Trip File, August 4–11, 1976—London, Tehran, Kabul, Islamabad, Deauville, The Hague, HAKTO. Unclassified.

<sup>2</sup> Kissinger had recently expressed concern at the state of U.S.-Iranian relations, telling Ford on August 3 that the timing of his Iran trip couldn't be worse. "Treasury and Defense are going after the Shah. Simon is going around saying the Shah is dangerous and shouldn't have exotic weapons. And Ellsworth and Defense are viciously anti-Iranian." The President commented: "The Shah is a good friend. He didn't go along with the embargo. We aren't going to be stampeded by the newspapers." Kissinger recognized that Ford was unable to act before the November elections but reiterated that the Treasury and Defense Departments were "on a vicious campaign." Kissinger emphasized: "We are playing with fire. We have thrown away Turkey and now Iran." (Ibid., Memoranda of Conversations, Box 20)

<sup>3</sup> For Kissinger's toast at the August 6 dinner, see the Department of State *Bulletin*, September 6, 1976, pp. 305–307. Regarding the meeting of the Joint Commission, see Document 182.

<sup>4</sup> The transcript of Kissinger's joint press conference with Ansary is printed in the Department of State *Bulletin*, September 6, 1976, pp. 307–314.

<sup>5</sup> On August 5, a *Washington Post* editorial entitled "Iran and the Arms Trade" declared that sales of sophisticated U.S. arms to Iran threatened U.S. interests by implying an American commitment to provide technical support even in case of war.

<sup>6</sup> See footnote 4, Document 179.

our policy, and nothing could be further from the President's mind than a weakening of our relationship with Iran.

Our overall relationship is of fundamental importance to the United States and to the interests of the entire Free World, involving close cooperation in all fields. It is a two-way street leading to great mutual benefit for the United States and Iran. An important element of this relationship is that of military supply, but it is merely one part of an integrated whole. It cannot be separated out for attack or termination without automatically calling into question the fundamental, overall relationship.

In order to understand the significance of this relationship, one must look first at Iran's strategic importance, bordering the Soviet Union to the north; Turkey, Iraq and the Persian Gulf—so vital to the world's energy needs—to the west; and Afghanistan and Pakistan to the east. Consider the value to the United States of having a strong friend and ally in that location, serving as a force for stability and moderation. Look at the economic importance of Iran, with whom the United States will have a two-way volume of trade during the period 1975–1980 of some 26 billion dollars exclusive of both the oil and arms, which attract so much public attention. Iran's policy and practice has been to keep the oil flowing to the United States and other nations of the Free World rather than participating in an embargo. Look at the political importance of Iran, a country whose foreign policies parallel our own on almost every major issue, whose actions in the Gulf, in South Asia and in the Middle East have increased the chances for stability in these regions. Iran has good relations with Israel<sup>7</sup> as well as the moderate Arab regimes and with India and Afghanistan as well as Pakistan. Its policy is one of trying to promote peace and harmony among its neighbors. It has made liberal use of its oil revenues to this end by aiding the economic development of poorer nations.

The United States has long recognized the importance of a close relationship with Iran. There is nothing new or secretive about it. Immediately after World War II we came to Iran's assistance in forcing the Soviet Union to end its military occupation in the north, and then helping it build the economic and military strength needed to protect

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<sup>7</sup> In a meeting at Helms's residence on August 7, Kissinger complained that on Iran policy, despite close relations between Iran and Israel, "50 percent of our trouble is the Israeli lobby. They want a carom shot off of Iran onto arms sales for Saudi Arabia and Kuwait. Since we are doing so much for Israel and it is so strong, it is hard to kill arms sales to the Saudis who are much weaker. So the best approach is to attack through Iran and kill the idea of all arms sales to the Gulf." (National Archives, RG 59, Records of Henry Kissinger, 1973–1977, Lot 91D414, Box 17) Telegram 9641 from Tehran, September 25, reported that the Shah remonstrated with Israeli Defense Minister Peres on this subject. (*Ibid.*, Central Foreign Policy Files, P840114–1435, N760007–0302)



itself and remain part of the Free World during the period of the Cold War. Our formal commitment to help Iran implement the principle of self-defense began with the Military Assistance Agreement of 1950, an agreement supported by annual Congressional appropriations over a period of twenty years.

By 1969, when President Nixon declared at Guam that the United States would henceforth expect its allies to assume greater regional security responsibilities, Iran was not only willing to do so but able to assume the financial responsibility for it. Following the British withdrawal from the Gulf in 1971, Iran and Saudi Arabia assumed the major responsibility for maintaining stability and moderation in the region, and for maintaining the all-important access of the Free World to the immense reserves of oil and natural gas. The United States has not had to assume this responsibility. However, in keeping with the Guam Doctrine and with our clear self-interest, we have a definite responsibility to help our friends and allies help themselves.

In our view it would be foolhardy to renounce or weaken our commitment to a valuable ally of long standing such as Iran, an ally willing and able to look after itself, just because it is buying the military equipment and training it needs from the United States. In our view, the greater Iran's own capacity for self-defense, the less the likelihood that the United States might become involved militarily in that part of the world. Moreover, Iran has used its military, as well as its economic strength, wisely. It has avoided the temptations to which others have succumbed.

The presence of American military and civilian personnel does not make us a hostage to Iran in the event of war, as some have insinuated. Iran has always strongly opposed the participation of American personnel in Iranian military operations. As the Senate Subcommittee report points out, in recently assisting Oman to put down a radical rebellion, the Iranian Armed Forces neither wanted, needed nor used American military or civilian personnel. United States military personnel in Iran are under strict orders not to become involved, should there be a conflict, and the contracts of American civilians assisting the Iranian military make plain that they will not in any way become involved should there be hostilities. Thus, there is nothing in this aspect of our relationship which implies any such commitment by the United States.

Finally, our arms contracts with Iran have not been made in secret nor have they been made without thorough review by the highest authorities of the United States Government. Every major sale of weapons has been made public and has been sent to Congress as required by law. In addition to reviewing each major arms transaction, the administration has had periodic reviews, some formal and some not, of both

our arms transfer policy and our policy toward the Gulf over the past four years. We have found no reason to change our policy of support for Iran.

Our close friendship with Iran is one of the successes of American foreign policy. It gives us a reason to be proud rather than grounds for apprehension. The President has sent Secretary Kissinger to Iran not only to attend an important meeting of the United States-Iranian Joint Commission for Economic Cooperation, but also to tell the Shah of the continuing strong backing his nation enjoys from this administration and of the President's determination to make every effort to sustain and strengthen our relationship with Iran. This relationship is in the interest of the United States, of the free world, and of world peace. The President will not be deflected from it.<sup>8</sup>

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<sup>8</sup> There is no record that the White House issued this statement.

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## 182. Memorandum of Conversation<sup>1</sup>

Tehran, August 7, 1976, 10 a.m.

### SUBJECT

Plenary Meeting of the U.S.-Iranian Joint Commission

Minister Ansary: Mr. Secretary and members of the United States Delegation, I warmly welcome you to Tehran and am very pleased that we are holding the third session of the U.S.-Iranian Joint Commission. We will review the performance of both sides in implementing the work of the last meeting of the Joint Commission which was held in a most friendly atmosphere in Washington.<sup>2</sup> That meeting was very instrumental in establishing further steps in the economic relations of our two countries.

Let me refer briefly to some highlights of the Joint Commission's activities. At the meeting last year, with respect to the development of

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P820118-0477. Confidential; Nodis. Cleared by Naas and approved in S on August 27. The meeting was held in the Iranian Ministry of Finance and Economic Affairs. The attached list of Iranian and American participants is not printed. Ansary led the Iranian delegation of 13 members, and Kissinger led the U.S. delegation of 15 members.

<sup>2</sup> See Documents 108-110.

trade between our two countries, we first established a target of \$15 billion over five years. You will recall that this was a very controversial figure at the time which we both got involved in at the press conference (laughter). But now we have every reason to set a new target of \$26 billion. In examining the component of that estimate, we have concluded that the potential for U.S. exports to Iran is very considerable and, as time goes by, U.S. trade will be such as to exceed the current targets. I am very sorry, however, that Iranian exports to the U.S. have not gone up. We had hoped that the Joint Commission would have helped in this regard. I am referring in particular to the export of industrial goods from Iran which we hope will increase greatly. However, we here are faced with the problem of the absence of appropriate facilities of our exports to the United States. I am referring to the GSP. We know that all OPEC states are excluded from GSP and we feel very strongly about this. Iran did [not] participate in the embargo and very faithfully kept its commitments. We have provided the U.S. every facility of the MFN and we hope, Mr. Secretary, that you can use your influence to have these trade barriers removed and open the U.S. market to our goods.

The second point that I wish to highlight is the cooperation of our two countries in the field of energy as a whole. I am very pleased with the extensive talks that we have had to prepare the ground for full cooperation, particularly the transfer of technology. When we reach final accord on the nuclear energy agreement, Iran will be able to move forward more rapidly with its nuclear energy programs. I hope in our talks today we can finalize certain decisions.

Another important area of cooperation is in the field of agriculture where we have decided to cooperate in production in Iran of agricultural machinery, chemicals and pesticides. This will be very useful not only in Iran but we will also be able to export to the region. We also agreed to select a particular region of Iran for joint agricultural development. I must assure you, Mr. Secretary, that Iran is prepared to engage in negotiations at any time to complete the Committee's decisions.

We are also very pleased that the Iranian side has been moving ahead to implement the manpower training programs which were agreed upon previously and we are highly optimistic that this area of cooperation will expand.

In industry, many American firms from the private sector have met with officials of the Iranian private sector, as well as officers of Government corporations. Some of the American firms have indicated clearly to us their concerns over the level of foreign investment which is permitted by our investment law. We have been talking with several companies about various petrochemical projects where foreign investment has been limited to 35 percent. I am very pleased to tell you that

we will now be prepared to permit foreign investors up to 50 percent in the petrochemical field.

Another area for cooperation is in the field of electronics. We have been moving ahead fairly successfully and some agreements have been reached and others are pending. We hope that further sessions of the Joint Commission will permit certain projects to go ahead which will provide for the transfer of high technology to Iran.

Mr. Secretary, the Joint Business Council had a very successful meeting here bringing together the private sectors of both of our countries. I believe the Joint Business Council can take, and should take, more initiative in reaching project agreements. I would like to suggest that the United States Government officials meet with the members of the Joint Business Council to encourage them to develop new projects. We shall do this on our side.

We feel, Mr. Secretary, that American investment in Iran has been moving ahead well and Iranian investment in the U.S. has been encouraging. Our deal with Occidental Petroleum takes into account the comparative advantages of our two countries.<sup>3</sup> This agreement is not limited to only petroleum and we will move ahead into agriculture and other forms of investment. We are still in the early stage of negotiations with Occidental.

In conclusion, Mr. Secretary, all in all the past year has been a successful one because of your support, encouragement and assistance. We are hoping that this session of the Commission and its approval of the decisions of the various Committees will keep all these projects going ahead.

Secretary Kissinger: Mr. Minister, I am very thankful for your remarks and on behalf of my colleagues express our appreciation. I am very pleased with the Joint Commission's development and it is doing what I hoped it would do, that is to establish organic links between our two countries in many fields. Last night I expressed my views on the importance of our relations with Iran. Coming again to the American presence here, Iran is not important because of the presence of large numbers of Americans but rather they are here in such large numbers because Iran is important to us. I have been reflecting on how exciting it is to see Iran's economic development and its aims for an economic level equal to Western Europe. We are pleased to be dealing with a country which is a force for stability in the region, solves its problems with its neighbors and which shares its resources so generously with other countries.

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<sup>3</sup> See footnote 2, Document 179.

We attach, as I said before, great importance to our relations with Iran. We must keep in mind that in a free country any one can express the views he wants, but I have no doubt that, even if there is a change of Administration, reality will produce the same level of relations. Our work here is not tied to any particular Administration for the relationship with Iran will be very important regardless of who is in office in the United States.

I can only support the views you have expressed, Mr. Minister, about the work of the Joint Commission. It is really remarkable that \$15 billion seemed so big last year. This year we will be able to explain at the press conference a figure of \$26 billion (laughter) although Murrey Marder<sup>4</sup> can defeat any one at a press conference. This \$26 billion figure reflects very careful analysis of this extraordinary event.

In the field of nuclear energy we have had useful talks, and I had a very good discussion on this matter with His Imperial Majesty yesterday.<sup>5</sup> I understand that we will be getting together later to see what we can do on this matter. With respect to LNG, the U.S. is going to increase by a considerable amount its imports and Iran will play a very significant role in this. We have also introduced into the work of the Commission solar energy, a development on which His Imperial Majesty places great emphasis.

You referred to agriculture as a field in which we can help. The activities which you mentioned can make a very useful agricultural program.

Concerning the transfer of technology, we have in the U.S. been paying great attention to this matter. It has been bogged down in a bureaucratic logjam and I don't believe that Government should be so involved in it. We are having a conference later this year of leading scientists which will lead into the International Science Year. We are going to have regional conferences and I think we should do something in the context of this Joint Committee in order to intensify our activities.

Thank you, Mr. Minister.

Minister Ansary: Should we appoint from each side someone to work on the Communiqué and Joint Minutes?<sup>6</sup>

Secretary Kissinger: Mr. Poats.

(Ansary motions to Mr. Vafa to represent the Iranian side.)

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<sup>4</sup> A *Washington Post* reporter.

<sup>5</sup> See Document 183.

<sup>6</sup> The communiqué issued on August 7 is printed in the *Department of State Bulletin*, September 6, 1976, pp. 314–316. The agreed minutes of the third session of the U.S.–Iran Joint Commission for Economic Cooperation were transmitted in telegram Secto 20068 from Tehran, August 7. (National Archives, RG 59, Central Foreign Policy Files, D760305–0428)

Secretary Kissinger: Is it agreed that we sign and release both the Communiqué and the Minutes?

Minister Ansary: We release to the press the Joint Communiqué.

Secretary Kissinger: Why do we have the Joint Minutes then?

Minister Ansary: That is so we have a complete record of the Committees. The Joint Communiqué will be shorter and be for the press.

Secretary Kissinger: I have a draft of the Minutes and we can finalize the Communiqué later.

### 183. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, August 8, 1976, 0911Z.

7977. For Secretary's Eyes Only. Department please pass immediately. Subj: Secretary's Audience with Shah.<sup>2</sup>

Set forth below, to be sent to the President,<sup>3</sup> is a proposed draft of the highlights of your audience with the Shah as per your request: *Begin text*

(1) My audience with the Shah after lunch August 6 at his guest house in Nowshahr on the Caspian Sea lasted the better part of three hours. It was followed by a press conference which I asked the Shah to conduct for the American newspapermen traveling with me.<sup>4</sup> The audience took place in an atmosphere of warmth, cordiality and privacy. (Ambassador Helms was the only other individual present.) There were no interruptions so that our discussion was frank and intensive. The Shah particularly asked me to convey to you his warmest regards,

<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840114–1442. Secret; Immediate; Nodis; Cherokee.

<sup>2</sup> Atherton provided Kissinger with briefing material for this meeting on July 31. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL–154, Iran Trips, 5–8 August 1976, Briefing Book F1)

<sup>3</sup> Scowcroft passed Kissinger's report of the meeting to the President on August 9. (Ford Library, National Security Adviser, Trip Briefing Books and Cables of Henry Kissinger, Box 40, Kissinger Trip File, August 4–11, 1976—London, Tehran, Kabul, Islamabad, Deauville, The Hague, HAK Messages for the President)

<sup>4</sup> The transcript of Kissinger's joint press conference with the Shah on August 6 at Nowshahr is in telegram Secto 20064 from Tehran, August 7. (National Archives, RG 59, Central Foreign Policy Files, D760305–0422)

and he spoke with obvious conviction about his personal feeling toward you and the importance he attaches to this relationship.

(2) I took the occasion of the audience to cover with the Shah certain of the points I intended to make that evening in my toast at the formal dinner given at the Foreign Ministry by Minister of Economic Affairs and Finance Hushang Ansary.<sup>5</sup> I wanted to be sure that nothing I would say would be an embarrassment to Iran. The Shah's reaction was positive. He encouraged me to speak out. I felt that the thrust given in the press to the Senate Foreign Relations Subcommittee Report on arms sales to Iran<sup>6</sup> required a prompt statement which set the United States/Iranian relationship in proper historical and current perspective, believing strongly that we cannot afford to permit an atmosphere of ambivalence to develop about an ally who has been as consistently supportive of US foreign policy over the years as has Iran. (You have the text of my toast as finally delivered.)

(3) During the audience the Shah agreed to a formulation on the issue of nuclear reprocessing which the next day we hammered out with American and Iranian experts into an approach which I think will be adaptable not only to Iran but to other countries who wish to buy nuclear reactors.<sup>7</sup> Rather than attempting to set down here the details of this formulation I would prefer to cover the whole matter with you when I return to Washington, because I believe that you will be interested in the possibilities it holds for dealing with key Congressional figures like Senators Ribicoff, Javits, Glenn, Percy, etc. Sievering of ERDA and Kratzer of State participated in the discussions and will be working in the remaining days of this trip to try to refine what we have in mind and what we hope to achieve. I was encouraged by this aspect of my Tehran consultations.

(4) The Shah and I discussed at some length the best tactics for handling notification to Congress of Iran's intention to purchase the F-16 aircraft. The Shah is obviously anxious to acquire some of his 300 F-16s (160 plus others over time) as soon as possible since his F-14s will lack F-16 support until deliveries are made. The Shah underlined, as he has so frequently in the past, that he wants to keep his Air Force supplied entirely with American equipment. He made it clear that he does not want to introduce into his Air Force airplanes of any other nation but he subtly pointed out that the reluctance of the United States to make deliveries would oblige him to go elsewhere. He noted that Israel has of-

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<sup>5</sup> See footnote 3, Document 181.

<sup>6</sup> See footnote 4, Document 179.

<sup>7</sup> The report of the Atomic Energy Committee of the Joint Economic Commission is in telegram Secto 20055 from Tehran, August 7. (National Archives, RG 59, Central Foreign Policy Files, D760305-0207)

ferred for sale to Iran almost any Israeli military equipment Iran wants. (We know that Iranian Vice Minister of War, General Toufanian, recently visited Israel and looked over its arsenal.) The Shah added that President Giscard would be making a State visit to Tehran in early October and that he hoped the F-16 question will have been decided by that time since he is under constant pressure from the French to purchase Mirages. I assured the Shah that I would discuss this matter with you and that we would make the decision as to when to place the F-16 purchase before Congress.

(5) The Shah raised with me the same questions about electronic countermeasures that Ambassador Zahedi had earlier taken up with Brent Scowcroft.<sup>8</sup> I went over carefully the problems we have in Washington with the general request that Iran be put on the same basis as NATO. I recommended to the Shah that rather than approaching the problem in this fashion, he ask us for specific items of ECM gear arguing his needs and requirements for each one. I assured him that we would give serious consideration to a few high-priority items at a time and that these requests should be handled securely either through Ambassador Helms or to Scowcroft and to Eagleburger at the Department. The following day I informed General Toufanian of our willingness to make available one particular item that the Iranians desired. Scowcroft's message on this subject was most timely and enabled me to show the Iranians that we were attempting to move cooperatively on their requests in this sensitive area.

(6) The Shah and I discussed the oil barter negotiations between Iran and various American weapons manufacturers. I pointed out the concern felt in some quarters of Washington that Iranian purchases of voting stock in American oil companies might be regarded as undesirable. The Shah hastened to assure me that he did not rpt not want any stock in Ashland or the New England Power Company (NEPCO), both of which are involved with General Dynamics and Litton in that particular negotiation. He said that Ashland and NEPCO had offered stock but that Iran would not under any circumstances accept the offer. On the Occidental Oil Company agreement which has been so much publicized, the Shah indicated that thus far the deal is not working. It appears that Occidental is making certain conditions which the Iranians are not prepared to accept. These matters are still in the early stages of negotiation and the deal is in no sense finalized. The Shah made the additional point, however, that the United States should make up its

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<sup>8</sup> In backchannel message WH61035 to Tehran, August 1, Scowcroft notified Helms that Zahedi had approached him regarding the possibility of Iran receiving access to electronic warfare equipment on a par with NATO. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-153, Iran, Chronological Files, 1 August–1 November 1976)



mind to what extent it is going to permit foreign purchases of voting stock in oil companies. Under existing circumstances, he commented, there are no guidelines. He emphasized that in such matters he would scrupulously abide by the stated wishes of the United States Government.

(7) On the question of CIEC deliberations, I went carefully over the problems which we feel that Iranian attitudes are causing in these meetings.<sup>9</sup> The Shah listened carefully and indicated that he was not aware that the Iranian position on the issue of rescheduling debts was causing difficulties. He then launched into a justification of oil prices, a detailed presentation of price increases on military and industrial equipment in the United States, and his abiding desire to work out some kind of an arrangement with the United States which would permit the special relationship between the two countries to flourish in an atmosphere of inflation and continually rising prices. He spoke of the various suggestions he has made such as indexation, barter arrangements, bilateral oil agreements, and so forth. He repeated again that the present price of oil has still not forced the United States to get serious about developing alternative sources of energy.

(8) I covered with the Shah the proposal that I intend to make to Prime Minister Bhutto on the Pakistan reprocessing plant issue, i.e., that we will provide A7 aircraft in exchange for his willingness to drop the idea of acquiring the plant from France.<sup>10</sup> The Shah felt that this was a good proposal and that Bhutto would be wise to accept it. He pointed out again how weak militarily Pakistan is and how much it needs help from the United States.

(9) I had ample opportunity to cover with the Shah our detailed views of the situation in the Middle East and on developments in the area including the shifting alignments of Arab countries. As you will have recognized in recent months, the Shah's perceptions are almost

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<sup>9</sup> According to a checklist that Atherton and Oakley provided for Kissinger's talks with the Shah, August 5, Iran was pressing for indexation of oil prices and across-the-board debt relief for the poorer LDC's, in part to divert their dissatisfaction from the financial assistance they were getting from Iran and other oil producers. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 5, Iran (11))

<sup>10</sup> See footnote 3, Document 173. In telegram Secto 20089, August 8, Kissinger sent Robinson the three options for Iran's nuclear reprocessing needs that he had presented to the Shah: a binational plant with the United States as partner, an acceptable third country partner, or an exchange with the United States of irradiated fuel for fresh fuel. Kissinger made clear, however, that reprocessing on a purely national basis was not acceptable. (National Archives, RG 59, Central Foreign Policy Files, P840169–0666) Robinson followed up with the Secretary on this topic on August 18. (Ibid., P850126–2020) U.S.-Iranian nuclear cooperation remained under negotiation until the end of the Ford administration.

identical with our own. He particularly agrees that Syria must not fail in Lebanon, that the Palestinians must be cut down to size, and that Egyptian policy must not be permitted to so weaken Syria that it brings about a “radical crescent” of Syria and Iraq backed by the PLO and the Libyans. The Shah confirmed that he had had an unpublicized visit from Prime Minister Rabin in mid-July and that Rabin had made it clear Israel was not unhappy about current developments in Lebanon. The Shah and I discussed the viability of a Geneva Conference and agreed that we had similar difficulties in visualizing how one would conduct such a conference and what parties should participate at least in the initial stages.

(10) Africa came in for detailed discussion. We agreed on the general approach and on the fact that it is one area where we should be able to fend off Soviet influence since there is no Israeli problem to frustrate our relationship with friendly countries and tribal elements holding Western allegiances. The Shah has agreed to receive Rhodesian nationalist leader Joshua Nkomo when he comes to Iran in a week or so. He will see what he can do to help him since he agrees with us that Nkomo represents a political element which we should support. *End of text.*

**Helms**

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**184. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, August 18, 1976, 0843Z.

8376. Subj: Human Rights in Iran. Ref: (A) State 178606, (B) Tehran A-56, (C) Tehran 6119, (D) 75 Tehran A-211, (E) 75 Tehran A-47, (F) Tehran A-129, (G) Tehran A-133, (H) Tehran 7952, (I) State 199409, (J) State 193516, (K) Tehran A-122.<sup>2</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760316-0945. Confidential.

<sup>2</sup> Reference D, airgram A-211, November 20, 1975, “The Increase of Terrorism in Iran,” is *ibid.*, P750185-0864. Reference G, airgram A-133, July 22, 1976, “The Resurgence Party Moves Forward,” is *ibid.*, P760112-2379. Reference K, airgram A-122, July 1, 1976, “Foreign Support for Iranian Terrorists,” is *ibid.*, P760103-1893. See footnotes below for the other referenced telegrams.

1. References B through I<sup>3</sup> provide basic description of human rights situation in Iran. Comments below supplement the above and are keyed to questions raised in Fraser letter (ref A).<sup>4</sup>

2. Iranian intelligence organization SAVAK was established in 1957 by national security law. While there does not appear to have been a similar predecessor organization, SAVAK is generally considered to have taken over certain counter-intelligence functions handled by the police, gendarmerie, and military intelligence. Persian rulers have long history of establishment, abolition and recreation of intelligence organizations dating back to Cyrus the Great and Darius. Persian history has amply shown need for this type of protection against foreign threats.

3. Question of political prisoners in Iran greatly resembles shell game. Under Iranian law, membership in the Tudeh (Communist) Party is illegal, as is advocating Marxism/Leninism. Shah recently (ref H)<sup>5</sup> said there are between 3400 and 3500 "political" prisoners in Iran, but these clearly include those who have committed acts of violence or have advocated violence. Hard to tell how many of those mentioned fall into Fraser category of "political" prisoners. Several knowledgeable lawyers and academics suggest number between 100 and 150, most of whom are either ex-Tudeh Party members or those who have shouted anti-Shah death threats. While this figure might not stand up in court of law, it is considerably at variance and probably much closer to truth than outlandish estimates bandied about by oppositionist groups<sup>6</sup> and

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<sup>3</sup> Reference I, telegram 199409 to Tehran, August 11, notified the Embassy of the due date for briefing materials on human rights in Iran for the scheduled appearance of a Department of State representative before a subcommittee of the House International Relations Committee led by Congressman Donald M. Fraser. (National Archives, RG 59, Central Foreign Policy Files, D760309–1368) See Document 185.

<sup>4</sup> Reference A, telegram 178606 to Tehran, July 19, transmitted a letter from Fraser with specific questions on the number and treatment of political prisoners in Iran, government involvement in arbitrary taking of life, the status of freedom of expression and association, the number of representations by the U.S. Government on these issues, and the amount of security and economic assistance which Iran received from the United States. (National Archives, RG 59, Central Foreign Policy Files, D760278–0467)

<sup>5</sup> Reference H, telegram 7952 from Tehran, August 7, transmitted the text of the press conference by the Shah and Kissinger on August 6. Pressed on the matter of the violence used by SAVAK, the Shah denied the claim that there were 200,000 members in the secret services and questioned other figures that journalists cited: "You keep on saying that we have several hundred thousand political prisoners and we keep on saying that we have only 3,400 or 3,500 prisoners, but they are not political prisoners, these are Marxists, either terrorists, killers or just people who owe no allegiance to this country." (Ibid., D760304–1194)

<sup>6</sup> In an October 27 memorandum to Edward Little, David Blee observed that while reporting on terrorism from the Mission in Iran had been good, it remained "dependent on information provided by SAVAK. There is a continuing need for more first hand information about opposition elements. While it is a politically difficult and sensitive matter for Embassy officials to meet with identified opponents of the Shah, the Mission

occasionally picked up by prominent magazines, including August 16 *Time*.<sup>7</sup>

4. Sentences for political prisoners run from two years to life. We are unable to establish relative numbers in each category but life sentences generally reserved for those who have been accessories to terrorists action.

5. As references B, C and E<sup>8</sup> suggest, due process is followed fairly scrupulously except in small number of national security cases. Iranian sources estimate 90 percent of judicial cases handled with due process, and Iranian Committee on Human Rights (ICHR) also believes this to be the case. Even in national security matters Iranian law is followed, but provisions are considerably stricter than comparable Western codes. Extensive appeals procedures are used which frequently lead to reduced sentences, even in terrorist cases (ref B).<sup>9</sup>

6. Royal pardon by the Shah is significant feature of Iranian judicial process. At the Iranian New Year March 21, Shah pardoned 248 civil detainees including many tried by military courts. On forthcoming anniversary of Shah's return to power, GOI is pardoning 307 more prisoners, all of whom were tried by military courts. Number of these probably fall into Fraser's category of political prisoners. GOI has also recently begun amnesty programs (ref F)<sup>10</sup> for those involved with terrorist groups. GOI has claimed six repentant terrorists have come forward, but [*less than 1 line not declassified*] believes at most one or two have taken advantage of amnesty so far. Both lawyers and ICHR report ample access to prisoners by lawyers and families except in cases in-

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should have the widest possible range of contacts." A better understanding of SAVAK was also needed, including "questions concerning its methods and the human rights situation in Iran." (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 6, Iran (14))

<sup>7</sup> An article in the August 16 issue of *Time* Magazine entitled "Torture as Policy" characterized Iran as one of the worst violators of human rights in the world. In telegram 8720 from Tehran, August 29, Helms criticized *Time*'s use of what he described as "questionable sources," citing the case of Reza Baraheni, an exiled Iranian poet who, Helms asserted, might have invented his story of torture in prison to improve his credentials. He urged Sober and Naas to ask *Time* to "examine more carefully the type of human being with whom they are dealing." (National Archives, RG 59, Central Foreign Policy Files, D760366–1648) Following Baraheni's testimony before the Fraser committee on September 8, Helms provided SAVAK's critical assessment of him in telegrams 10291 and 11126 from Tehran, October 12 and November 8. (Both *ibid.*, D760383–0125 and D760415–0927)

<sup>8</sup> Reference E, airgram A–47 from Tehran, March 10, 1975, "Human Rights in Iran," is *ibid.*, P750050–2109.

<sup>9</sup> Reference B, airgram A–56 from Tehran, March 25, 1976, "Iranian Observance of Human Rights," is *ibid.*, P760045–1686.

<sup>10</sup> Reference F, airgram A–129 from Tehran, July 8, 1976, "GOI Offers Amnesty to Some Terrorists," is *ibid.*, P76104–2395.

volving terrorist violence (see Pace interviews, para 6 ref C).<sup>11</sup> Common pattern for student demonstrators is for police to detain up to 50 or 60 and release all but a handful within short time. Those who remain incarcerated have little trouble seeing families and lawyers, and university administrators say they have almost organized their assistance to families and friends of student detainees into a routine pattern.

7. Embassy has no hard facts on torture or other forms of mistreatment. In recent months government has taken to displaying captured terrorists on television after interrogation as evidence they have not rpt not been subject to mistreatment. Nevertheless stories abound that prisoners are tortured though these mostly refer to incidents happening more than two or three years ago. Shah himself (ref H) has said Iran “doesn’t need to torture people any more; we are using the same methods that some of very highly developed countries of the world are.” While Embassy suspects terrorists get very harsh going over, this appears to be only area in which other than normal police techniques are used.

8. Arbitrary taking of life also difficult to establish. Both official and unofficial sources agree about 100 terrorists have been executed by GOI since 1968, but all these have been put to death after extensive judicial proceedings including appeals. Within past seven months approximately 30 terrorists have been killed while resisting arrest, usually after prolonged gun battles indicating serious resistance. There have also been instances where suspected terrorists killed themselves when faced with capture. Several police officers and some innocents caught in crossfire have also been killed. GOI has deplored death of innocent victims and police officers, and in at least one stakeout police claim to have delayed attack in order to move innocent citizens away from area.

9. Freedom of opinion and expression: Legal prohibitions exist against threatening government officials and insulting Shah, but Iranian citizenry definitely vocal about all subjects, even peccadillos of monarchy. Student demonstrations occur, whether permitted or not, but are usually controlled.

10. Prior to March 1975, Iran had a multi-party system, not a two-party system as Butler indicated in testimony before Fraser committee (ref J).<sup>12</sup> Moreover, as indicated in ref B, despite moving to

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<sup>11</sup> Reference C, telegram 6119 from Tehran, was not found. Eric Pace was a *New York Times* correspondent.

<sup>12</sup> According to reference J, telegram Tosec 20032/193516 to Kissinger in Tehran, August 5, William Butler, Chairman of the Executive Committee of the International Commission of Jurists (ICJ) and President of the American Association of the ICJ, testified on human rights in Iran before the Fraser subcommittee on August 3. Butler and Professor Georges Levasseur had recently published a study of human rights and the legal system in Iran for the ICJ. (National Archives, RG 59, Central Foreign Policy Files, D760301–0251) George G.B. Griffin’s analysis that the report was “essentially unassailable” is in a memorandum to Naas, June 8. (Ibid., P870050–1693)

one-party state, freedom of discussion appears high, especially within individual party chapters and at party boards and council meetings. Several senior party officials have reported their shock at being roughly handled during visits to party chapter meetings. One has indicated two indictments for corruption have resulted from accusations at party meetings. However, party does not indiscriminately criticize government and criticism of Shah by officials occurs only in private among close and trusted friends if at all. Iranians do not enjoy the same freedom of expression as Americans do but, particularly in Middle East context, Iran compares favorably with virtually all of its neighbors. Restraints are subtle and psychological, not (normally) heavy-handed and physical.

11. With exception of prominent National Iranian Radio and Television Service magazine, press is privately owned. Resurgence Party newspaper *Rastahkiz* is owned by party, which itself receives government subsidy, but criticizes administration on policies. Editors and publishers exercise innate caution but there is no prior censorship. SAVAK reportedly proofs each paper before press runs take place but few articles are cut. Ministry of Information frequently gives guidance, which editors ignore at their peril. For example, prior to Crown Prince's recent tour to USSR, editors were invited to mute criticism of USSR. Prior to recent Kissinger visit, editorial criticizing Senate arms sales report was at least suggested by GOI. Papers are encouraged to have at least one story on the Royal family somewhere on front page at least every other day, preferably every day. Instinct for survival is finely honed among Persian press men, so formal measures of rebuke and punishment are seldom necessary.

12. Iranian trade unions have made few political noises in recent past, but umbrella organization, Workers Organization of Iran, has participated actively, if quietly, in political life. Moreover, while labor unrest receives little publicity here, Embassy has heard of several strikes and labor demonstrations by individual shop or industrial groups. GOI appears to maintain a guiding hand through Ministry of Labor, but does not exercise rigid control. Unions have been among leaders in support of anti-inflation and price-cutting campaigns. Labor has 13 members in Parliament and two representatives on party Executive Board. GOI regards labor as force to be consulted when shaping policies, but such consultation occurs behind public spotlight.

13. USG has made working level representations to security forces concerning treatment of prisoners (ref B). GOI has listened to Embassy but made no formal responses.

14. Iran does not receive economic assistance, but we understand security assistance budget has been used to fund ARMISH/MAAG positions not paid for by GOI. U.S. funds have been used because we have

felt it desirable to stress to Iranians the independence of advice provided by ARMISH/MAAG Chief and his staff. In our view human rights situation in Iran does not rpt not justify application of provisions of Section 502 (B) of FAA to Iran.

15. Additional background on human rights in Iran: Persian Government has continuously been one of most tolerant in Middle East. From time of Zoroaster (approximately 600 BC) religious tolerance has been hallmark of Persian state. Jews and Armenian Christians have played substantial and honorable roles in past Persian dynasties and continue to do so today. Number of Jewish community leaders have told us they feel their well-being and security in Iran is directly attributable to protection afforded by present regime. They are uneasy about condition of Jews in post-Shah Iran. Iran also has always been a relatively mobile society and many Prime Ministers and Kings (including Reza Shah) rose up from very humble origins. On the other hand, Iran has always been threatened by external forces and more recently internal terrorism. For nearly 30 years at least one, and usually two or three, clandestine radios have boomed propaganda at Persia. Radio Pekye Iran, for example, frequently calls for students and workers to "rise up and overthrow the Shah's fascistic rule." GOI can be forgiven for assuming this type of programming is aimed at violent overthrow of regime. GOI also believes it has clearly shown connection between local terrorists and foreign radical/guerilla forces (ref K). Strong rulers of country (present Shah certainly fits this category) have frequently overlooked strict Constitutional interpretation of civil rights where they thought it necessary for security of country. Educated Iranians frequently like to needle Americans that GOI behaves no differently than Jefferson and Lincoln administrations in the U.S. did during periods when America was threatened. As terrorist threats have grown in past five to eight years, SAVAK itself has grown. Shah has admitted SAVAK has 3000 members (ref H). This probably does not include people who may receive money on sporadic or even semi-regular basis for information provided in course of other duties.

16. It is interesting to note greater interest in civil rights among Iranian citizenry over past four or five years. ICHR reports its caseload has increased fivefold over past four years. Separate human rights committees exist in seven principal Iranian towns. Bulk of nearly 1200 Iranian complaints under Universal Declaration of Human Rights concern bureaucratic grievances against government ministries. ICHR has adopted a policy of pursuing cases only when interested party has made appeal. It adopted this policy after pursuing several requests from Amnesty International only to discover prisoners had already been free for some time. Committee secretary has indicated ICHR finds one case in five to be solid enough to pursue and almost always gets

some redress from government, though Committee officials admit more difficult cases involving security may not be brought to them.

17. ICHR also works with government to try to improve judicial system. Shah himself recently called for more improvements and less time between arrest and trial. Most judicial figures in Iran agree Iranian legal system needs major overhaul, and even existing court system has been major victim of inflation which has forced many judges and legal officials to leave office for much better paying private positions. Recent study indicates between 10,000 and 20,000 cases a year remain untried for lack of personnel. These problems plus rapid urban growth have also led to increased crime rate in many Iranian cities, especially in Tehran. Urban citizenry are beginning to insist on improvements in police effectiveness as well as judicial handling of criminals.

18. Ref C gives Embassy reaction to Butler report. While Embassy does not want to comment in detail on Butler's testimony, it seems useful to underline that Butler himself appears to understand difficulties in obtaining information on human rights problem (para 3, ref J) and also infers incidence of political arrests is declining. This agrees with Embassy view of unfolding civil rights situation over past year. Embassy disagrees with Butler's statement that there is "no" freedom of press or freedom to strike. Evidence clearly indicates otherwise. Even if strikes are technically illegal they occur and are normally dealt with by subtler forms of negotiation rather than armed force. On freedom of press question it instructive to note that numerous foreign publications highly critical of regime and Shah circulate freely. Most recent example was *Time* of August 16 which addressed torture issue in Iran at length.

**Helms**



**185. Memorandum From Frank Huddle, Jr. of the Office of Research and Analysis for Near East and South Asia, Bureau of Intelligence and Research, to the Director of the Office of Iranian Affairs, Bureau of Near Eastern and South Asian Affairs (Naas)<sup>1</sup>**

Washington, August 20, 1976.

SUBJECT

Assistant Secretary of State's Appearance before the Fraser Committee

Tehran 8376 on Human Rights in Iran<sup>2</sup> should be read with caution as some of its assertions contradict even unclassified State Department reportage and its analysis of torture and press control runs counter to a wealth of classified material which could conceivably reach Congress and greatly embarrass Mr. Atherton and the Department.<sup>3</sup>

To summarize from the enclosed stacks of documents:<sup>4</sup>

1) There are many references to "intense" interrogation and at least one reference to a terrorist who died "from the effects of his wounds and his interrogation."

2) There are several references to terrorists who were quietly executed. I have included one or two as samples. Generally, SAVAK executes terrorists whose naming would embarrass the regime (i.e., people close to members of royal family).

3) USIS despatches on occasion refer to the government-controlled press (e.g., May 23) and there are numerous reports of direct government orders to the press. All the persiflage presented by Embassy Tehran isn't really helpful in that its *prima facie* sounds extremely lame. March 20, 1975, TD summarizes the situation most accurately. My suggestion would be to point out that controlled presses are a way of life in much of the RNA world from India to Morocco.

As you read through Tehran 8376 for background material useful for the Department's presentation, you might note the errors in the following paragraphs:

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P870050–1703. Secret; Noform; Nocontract; Orcon.

<sup>2</sup> Document 184.

<sup>3</sup> Atherton appeared before the Fraser Committee on September 8; the text of his statement on human rights in Iran was transmitted in telegram 222610 to Tehran, September 8. (National Archives, RG 59, Central Foreign Policy Files, D760340–0323)

<sup>4</sup> Not attached.

2. Persian history has amply shown need for an intelligence agency as protection against *domestic* threats. You want to stress that, regardless of Shah's rhetoric, he has genuine reason to fear the threat posed by dissidents within Iran not just the fear of subversion sponsored by foreign governments.

5. If you quote from this paragraph, be careful about the "due process" question, as traffic indicates that due process is not violated except in important cases.

6. On royal pardons, you can point out that the Shah, as of December 10, 1974, began celebrating Human Rights Day by freeing prisoners.

7. I have covered torture earlier. I think that Shah's remark that "we are using the same methods that some of the very highly developed countries of the world are" should not be quoted as its irony is easily understood.

8. Also covered. Be careful about saying "all" executions have been carried out after extensive judicial proceedings as this statement does *not* jive with our reportage.

10. On two-party vs. multiparty system. Butler is technically wrong. Iran did have a multi-party system, although only two parties counted (like the US).

11. See attached TD's.

12. Essentially accurate, but see one TD for less-guarded analysis of SAVAK.

15. Persian government doesn't particularly have a good record for tolerance. Non-Shia pilgrims passing through Iran were generally harassed or killed in pre-modern times. Bahais are persecuted (most were driven out by Qajars and Reza) as were Parsis. If Fraser brings the subject up, I suggest the Department focus on good treatment of Jews and Armenians and let it go at that.

Overall, you might want to stress that the regime provides stable rule, has reduced many of the land-tenure inequities, and is popular with the common man whose economic lot has measurably improved under the current Shah.

**186. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, August 28, 1976, 0755Z.

8696. Sub: Americans Assassinated.

1. At 0650 August 28 terrorists killed American citizens Donald Smith, Robert Krongard and William Cottrell, three Rockwell International employees working on an electronics research project for the IIAF<sup>2</sup> who were on their way to Doshan Tappeh Air Base. Iranian driver was wounded and is now being interrogated by SAVAK.

2. Attack took place on a side street near Vosough Square in the Tehran Now area of Tehran. Attackers blocked Rockwell Dodge sedan with a Volkswagen sedan in front and a minibus in the rear. According to eyewitness, four (4) men approached on foot and fired at occupants in blocked car. Cottrell managed to get out of car but was killed in process. Shell casings indicate one or two M 63S, a 9 MM automatic and a 45 automatic pistol were used. Casings in the car indicate attackers reached within the car to fire. All were killed.

3. It not known whether Americans had papers connected with project they were working on but no briefcases or other documents were found in the car following the assassination. SAVAK speculates that assassins were part of Mujahidin-e-Khalq terrorist group because of the modus operandi and weapons used. This is the anniversary of the arrest of Rahman Vahid Afrakhteh, an operation officer of the Mujahidin-e-Khalq who planned Colonels Shaffer and Turner assassination.<sup>3</sup>

4. This is the first terrorist attack on an American since the assassination of Colonels Shaffer and Turner May 21, 1975. This is also the first assassination of a non-official American.<sup>4</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760328–1099. Confidential; Niact; Immediate.

<sup>2</sup> The *Washington Post* reported in an August 30 article that Rockwell was under contract to install Project IBEX, an electronic surveillance system, for the IIAF. See Document 200.

<sup>3</sup> See Document 128.

<sup>4</sup> The CIA informed the White House on August 28 that the Mujahidin-e-Khalq “laid low” following the capture of some of their members, but was entering a new phase of activity. It concluded that the high security measures adopted by the official U.S. community in Iran had forced the Mujahidin to target the more accessible U.S. business community, which now totaled 18,000. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 5, Country File, Iran (12) 8/13/76–9/13/76)

5. Minister of Court Alam has just called Ambassador to express Shah's "deepest regrets."<sup>5</sup> Further details re notification next of kin, passport numbers, etc, will follow.<sup>6</sup>

**Helms**

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<sup>5</sup> The Shah's assessment of the murders, transmitted in telegram 8712 from Tehran, August 29, was that they were part of a Communist plot to drive Iran and the United States apart and counter the Iranian defense build-up. The Embassy commented: "Whether or not the Shah's analysis in this case is accurate or overdrawn, there would seem to be no doubt that the Soviets are concentrating a campaign at all levels" toward these two goals. (National Archives, RG 59, Central Foreign Policy Files, D760366–1625) Telegram 8729 from Tehran, August 29, forwarded a summary of significant terrorist activity during the previous 2 years. Helms suggested in telegram 8776 from Tehran, August 31, that Atherton draw upon the summary for his testimony before the Fraser committee. (Both *ibid.*, D760366–1651 and D760329–1408)

<sup>6</sup> Telegram 9129 from Tehran, September 9, informed the Department that a member of the assassination team had been captured. (*Ibid.*, D760341–0454)

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# 187. Memorandum From Clinton E. Granger of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>

Washington, September 3, 1976.

SUBJECT

Pricing of F–16s for Iran

You will have seen the cable (attached)<sup>2</sup> indicating that the Shah is upset at the price of \$3.4 billion for 160 F–16s reported in the press after

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (12). Confidential. Sent for information. Scowcroft wrote on the first page of the memorandum: "Incredible! *And unacceptable.*"

<sup>2</sup> Attached but not printed is telegram 8940 from Tehran, September 3, which transmitted a message from the Shah to Secretary Kissinger that if the price for 160 F–16s was \$3.4 billion, then Iran would be unable to afford the 300 F–16s it intended to purchase, the deal would fall through, and "the enemies of US–Iran relationships will have won a victory, or at least they will claim that they have." In telegram 8646 from Tehran, August 26, Helms notified Kissinger that although the Shah hoped an oil-for-arms barter could be worked out with General Dynamics, he did not rule out a purchase of the F–16s through other means, and intended to proceed with the sale in any case. (National Archives, RG 59, Central Foreign Policy Files, D760334–0959)

Secretary Kissinger's testimony on the Hill.<sup>3</sup> The Shah warns that at this price the entire deal will fall through for lack of funds. As the Ambassador points out in a related cable from Iran,<sup>4</sup> the Iranians were quoted a package price of \$2.14 billion by General Dynamics for all 300 aircraft; moreover, they understood that the survey team which is coming to Iran will quote a price of \$3.0 billion. What the Iranians do not yet know, is that the actual price used in the formal DOD notification to the Hill was \$3.8 billion, \$400 million more than the price at which they have already balked.

We have been trying to determine how this muddle occurred and have come up with the following:

1. The price of \$2.14 *million* was used by General Dynamics in the context of the oil barter negotiations. It did not take into account start-up costs, inflation or support/infrastructure costs, and made what General Dynamics now apparently admits were erroneous assumptions about spares training.

2. The price of \$3.006 *billion* was the price used by General Fish in his briefings on the Hill. It represents the price of the hardware exclusive of the usual margin provided for unanticipated expenses, options desired by the Iranians, and added expenses due to Iranian operational variables.

3. DOD initially added \$400 million to account for the variables mentioned above, giving the pre-notification price of \$3.4 *billion* which has been picked up by the Shah, however . . .

4. Now DOD has revised that estimate upward to approximately \$800 million, giving the final price of \$3.866 billion used in the formal notification to the Hill.<sup>5</sup>

DOD is continuing to review the \$3.866 billion figure, and has asked General Dynamics to provide details of the \$2.14 billion price tag they gave the Shah. There appears to be little hope, however, that the price of the package will decline, or that a confrontation with the Shah can be avoided.

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<sup>3</sup> The Secretary testified before the Senate Foreign Relations Committee in Executive Session on August 30 and 31, supporting the sale to Iran of 160 F-16s at a price of \$3.4 billion, according to a *New York Times* article, "US Influence on Iran: Gigantic and Diverse," August 30. The Department sent a brief summary of Kissinger's and Fish's testimony in telegram 216316 to Tehran, September 1. (National Archives RG 59, Central Foreign Policy Files, D760331-1230)

<sup>4</sup> Attached but not printed is telegram 8910 from Tehran, September 2, in which Helms expressed perplexity at the divergence between the price quoted in the Secretary's testimony and the initial agreement between Iran and General Dynamics of \$2.14 billion for 300 planes.

<sup>5</sup> Scowcroft wrote in the margin: "This is over *double* the GD quoted price. How can this be?"

We plan to get State and Defense representatives here for a post-mortem, hopefully to determine how we can avoid this kind of thing in the future.<sup>6</sup>

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<sup>6</sup> An Air Force team led by General Eugene M. Poe visited Iran September 4–7 to mitigate the impact of the F–16 price hike, according to telegram 9026 from Tehran, September 7. (National Archives, RG 59, Central Foreign Policy Files, D760337–0791) Granger reported to Scowcroft on the largely successful outcome of the team's meetings in Iran, in which Poe pointed out that General Dynamics had quoted a fly-away price that provided only 3 months of follow-on spares instead of the 26 months' supply the Iranians asked for, and included no provision for necessary design changes or inflation, which alone added \$1.3 billion to the Department of Defense price. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (12))

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## 188. Memorandum of Conversation<sup>1</sup>

New York, September 29, 1976, 8–11:40 p.m.

### PARTICIPANTS

Andrey Andreyevich Gromyko, Member of the Politburo of the Central Committee of the CPSU, Minister of Foreign Affairs of the USSR  
 Anatoliy F. Dobrynin, Ambassador to the USSR  
 Georgiy M. Korniyenko, Deputy Minister of Foreign Affairs  
 Vasilii Makarov, Chef de Cabinet to the Foreign Minister  
 Yuly M. Vorontsov, Minister Counselor, Soviet Embassy  
 Viktor M. Sukhodrev, Counsellor, Second European Department; Ministry of Foreign Affairs (Interpreter)  
 Dr. Henry A. Kissinger, Secretary of State  
 William G. Hyland, Deputy Assistant to the President for National Security Affairs  
 Helmut Sonnenfeldt, Counselor of the Department of State  
 Arthur A. Hartman, Assistant Secretary of State for European Affairs  
 Winston Lord, Director, Policy Planning Staff  
 Peter W. Rodman, NSC Staff

### SUBJECTS

FRG; Africa; U.S. politics; agrément for Toon; SALT; Middle East; MBFR; Law of the Sea; U.S.-Soviet maritime and civil aviation agreements; Iran

[Photos were taken. Then drinks and hors d'oeuvres were served in the living room.]<sup>2</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P860112–0409. Secret; Nodis. The meeting was held in Secretary Kissinger's suite at the Waldorf Towers. The full text of this memorandum of conversation is in *Foreign Relations*, 1969–1976, volume XVI, Soviet Union, 1974–1976, Document 289.

<sup>2</sup> Brackets in the original.

[Omitted here is discussion unrelated to Iran.]

*Iran*

Gromyko: Then Iran. There is one substantive problem.

Kissinger: I noticed the reference in your speech.<sup>3</sup> I thought you meant India.

Gromyko: Your reference to my speech is correct.

I would like to say that however you assess your actions regarding Iran, it's a matter of policy, and there is nothing commercial about these actions. What reason is there to supply arms to Iran in the amount of billions, billions of dollars? So far it's \$10 billion and the plan is twice that. Why do you want to cause tensions on the southern border of the Soviet Union? If you're prompted by certain of your agencies, it's not in the interests of peace or of a tranquil situation in that part of the world.

This isn't in accordance with the words you use, or President Ford, or you at the table, on the need to find common language.

We have been observing your actions in Iran for some time. We thought your concern for US-Soviet relations would gain the upper hand. But it goes on. You know and we know and the leadership of Iran knows there is no security interest for Iran in this. But this line continues. I say this because it's the line taken by our entire leadership, and the view personally of General Secretary Leonid Brezhnev.

Kissinger: First, at no conceivable level of armaments can Iran threaten the Soviet Union. The idea that Iran can want to cause tensions with the Soviet Union is inconceivable. And it has other neighbors than the Soviet Union who are armed by the Soviet Union. Iraq per capita is more heavily armed than Iran; India is armed by the Soviet Union. The idea that they (Iran) would take offensive action against the Soviet Union is beyond my imagination. Nor do they have weapons capable of taking offensive action. The Soviet Union is not its security problem but these others are. It lives in a world in which its neighbors are heavily armed; that's its security problem.

Gromyko: We are raising this matter not because we are scared of Iran or of weapons placed in Iran's hands, but because there are no reasonable grounds—and we have said this to the Shah many times<sup>4</sup>—for

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<sup>3</sup> Kissinger is referring to Gromyko's speech before the UN General Assembly on September 28.

<sup>4</sup> Telegram 8487 from Tehran, August 22, transmitted the Shah's report of a Soviet démarche on Iranian arms purchases, in which the Soviet Ambassador referred to the Humphrey subcommittee report (see footnote 4, Document 179) and expressed particular displeasure with the Iranian naval build-up. Although the Shah defended Iran's right to arm itself, he concluded by expressing his concern to Helms that the United States meet its responsibilities and remember how important the Persian Gulf was to the Free World. (National Archives, RG 59, Central Foreign Policy Files, D760321–0420)

such a huge arsenal. Who is threatening Iran? Not the Soviet Union; the Shah knows. Iraq? But those two countries just signed an agreement. There is no threat from Pakistan; there are good relations. Is the threat coming from the seabed or outer space? No. If you take a cool-headed analysis, it is clear there are no grounds for it. Why this piling up of arms on the border of the Soviet Union?

If you were in the same position, you would react the same way. It's not a matter of pure commerce—because they're buying American arms. It's a matter of policy. The major powers should not allow this, because in one part of the world we may stamp out the flames of war and tension would be generated in other parts.

So I wanted to call your attention to it, and President Ford's attention, and the US Government.

Kissinger: We will note it. But I can't accept that just signing an agreement means there can be no tension. And India is so heavily armed that it may even overcome the scruples which are so inseparable from Indian morality. Iran lives in a complicated environment.

But I'll take note of it.

[Omitted here is discussion unrelated to Iran.]

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## **189. Action Memorandum From the Deputy Secretary of State (Robinson) to Secretary of State Kissinger<sup>1</sup>**

Washington, October 1, 1976.

### **SUBJECT**

Suspension of Negotiations with Iran on a Bilateral Oil Agreement

You have seen the attached telegram (Tehran 9795) conveying Ansary's rejection of Frank Zarb's revised terms for a bilateral oil agreement.<sup>2</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840036–2216. Confidential; Exdis. Kissinger wrote on the memorandum: "Send copy of Ansary cable to Scowcroft."

<sup>2</sup> Robinson sent the revised terms for the oil agreement in telegrams 229942 and 234132 to Tehran, September 17 and 21. (Both *ibid.*, Central Foreign Policy Files, D760350–1267) Telegram 9795 from Tehran, September 30, attached but not printed, transmitted a message from Ansary to Robinson: "I regret that your new proposal represents such complete departure from the principles which we have consistently maintained should form the basis of our negotiations that it cannot in any way be considered by us." Ansary declared that Iran was abandoning negotiations on the subject.



It has been obvious to both sides for some time that a seller's market in crude oil is likely to prevail over most of the next six years, certainly in 1976–77. This reality relieves the Iranians of need to grant substantial price concessions to us. Similarly, it has been obvious that the U.S. Government would not go into an unprecedented form of business—buying Iranian oil on long-term contract—without a publicly demonstrable financial advantage over the conventional alternative of short-term competitive supply contracts. Ansary was right in seeing that these positions could not be reconciled.

I suggest that we accept Ansary's judgment while expressing regret that a long-term supply agreement has eluded our best efforts, leaving the door open for future talks.

*Recommendation:*

That you authorize the attached instruction to Helms.<sup>3</sup>

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<sup>3</sup> Attached but not printed. The instruction was sent in telegram 246014 to Tehran, October 2, in which Kissinger commented that the various requirements of the two governments "led us to a series of American proposals that appeared one-sided to HIM and led Ansary to a set of 'principles' that appeared one-sided to us." He added his hope that the establishment of the U.S. strategic oil reserve and the changing oil market would produce conditions for an agreement in the future. (Ibid., D760372–0953)

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## 190. Memorandum From the President's Assistant for National Security Affairs (Scowcroft) to President Ford<sup>1</sup>

Washington, October 27, 1976.

SUBJECT

Northrop Letter on the F–18L

You asked for clarification of the letter from Tom Jones, Chairman of the Board of Northrop, to Bob Ellsworth in Defense which was given to you in Texas (Tab A).<sup>2</sup>

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 6, Iran (14). Confidential. Sent for information. A stamped notation on the memorandum indicates the President saw it, and Ford initialed it.

<sup>2</sup> Attached but not printed is the letter in which Jones presented the benefits to the U.S. Government of Northrop's sale of 250 F–18's to Iran. On November 4, Jones made his case more forcefully in a letter to Scowcroft, the premises of which were rejected by

Since early 1975, when the fly-off between the single engine General Dynamics F-16 and the two-engine Northrop F-17 was in progress, the Shah of Iran has expressed interest in both aircraft. The F-16 won the fly-off for acceptance by the U.S. Government and was accepted by four NATO countries. At that time, Iran made a firm decision to purchase the F-16. Iran was made part of the General Dynamics program for manufacture, covering the U.S., NATO and Iran. A Letter of Offer for F-16s has been through the Congressional review process and a firm letter of intent to purchase has been signed by the Shah.

When the Navy subsequently expressed interest in purchasing a two-engine carrier version of the F-17 (now the F-18A), the Shah indicated his continued interest in acquiring the aircraft in a land-based version (now designated as the F-18L). Following a visit by Tom Jones to Tehran in September,<sup>3</sup> the Government of Iran forwarded to Defense a formal request to purchase 250 F-18L aircraft, including authorization to expend \$8 million for R&D development.

The present situation is as follows:

—The Master Plan for the Navy purchase of the F-18A is still under review in the Department of Defense, although Navy purchase is virtually certain. (None of the U.S. Services intend to purchase the land-based F-18L, but the Navy would act as program manager for any Iranian FMS arrangement because of the substantial commonality of parts.)

—The Master Plan for the F-18L for Iran was initially presented to the Department of Defense for review in September. As of this time, DOD is still working with Northrop to develop necessary pricing information and other data.

—An estimated \$300 million of research and development is required to develop the F-18L. Although it is the outgrowth of the original F-17 prototype, there are significant differences in the wing, avionics and other aspects of the aircraft to transform it from a flight prototype to a weapons system. (The F-16 is much further along in the development process due to the firm orders by the USG, NATO and Iran.)

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Oakley in a November 10 memorandum. Noting potential problems of financing and absorption, as well as politics and military validity, Oakley recommended that approval of a U.S. FMS commitment to the program be withheld pending a Defense Department review. (Ibid, Presidential Country Files for Middle East and South Asia, Box 13, Iran (13))

<sup>3</sup> The Embassy reported on Jones's visit to Tehran in telegram 9263 and 9825 from Tehran, September 14 and 30. According to the telegrams, following Jones' audience with the Shah, Toufanian was instructed to request from Rumsfeld an FMS letter of offer for 250 F-18L aircraft. (Both in National Archives, RG 59, Central Foreign Policy Files, D760351-0776 and D760369-0985)

—Future Iranian funding is very uncertain. The Shah has indicated from the beginning of his interest in the F-18 that he intended to finance it through an oil-for-arms barter arrangement. No arrangement of this type has yet been made and, based on other attempts at such financing arrangements, prospects do not appear promising at this point.

—Delivery of this system to Iran in the early 1980s, as the Shah has requested, would mean that Iran would be faced with the problem of absorbing three of the most advanced aircraft systems in the world (F-14, F-16, F-18L) all simultaneously.

Tom Jones and other Northrop representatives have been very active over the past two months urging early approval of the F-18L program.<sup>4</sup> However, until the Iran Master Plan is completed, the basic data necessary to prepare a Letter of Offer will not be available. Also, in view of the uncertainties of the F-18L development, Iranian financing and follow-on considerations such as training and support which must be included in any FMS package, our initial response to Northrop has been to counsel restraint.

The F-16 package, which was presented to the Government of Iran in September, was the result of more than 15 months study and preparation by the U.S. Air Force and the Department of Defense.<sup>5</sup> That preparation paid off with a well-balanced, comprehensive briefing to the Government of Iran identifying the potential problems of training and financing which could be anticipated. The best DOD cost estimate for the F-16 package, for example, turned out to be \$3.8 billion for 160 aircraft rather than the \$2 billion for 300 aircraft which General Dynamics had quoted to the Shah.

In addition to considerations of our relationship with Iran in the purchase of another expensive, sophisticated aircraft, there are Congressional aspects. These cut both ways, in that some Congressmen would be unhappy to see another major sale for Iran coming on the heels of the F-16 and others, such as Senators McClellan and Taft, are keen to see the deal consummated because of the advantages it would bring American industry and the probability of reducing the cost of parts for the Navy F-18A which are common with the F-18L.

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<sup>4</sup> In telegram 253368 to Tehran, October 13, the Department alerted the Embassy to an October 11 *Washington Post* article, "Northrop Sales Blitz in Iran Flouts U.S. Control Efforts," which argued that Northrop was trying to "stampede the US government into approval of its efforts to sell Iran a jet that is still on the drawing board." The Department requested notification of all military sales efforts by U.S. firms. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 7, Country File, Iran Mil. (4))

<sup>5</sup> The F-16 Master Plan, dated December 29, is in the Washington National Records Center, OASD Files: FRC 330-79-0037, Box 27, Iran October–December 1976, 452.1.

The Departments of Defense and State have been following the F–18L matter closely for several months. They have been in communication with Mr. Jones and other Northrop officials as well as the Government of Iran. In view of the uncertain situation outlined above, they have given neither approval nor disapproval of the F–18L deal for Iran but have told both the Iranians and Northrop that the matter requires further review.<sup>6</sup> As soon as DOD completes the Iran F–18L Master Plan, a policy decision will have to be made on whether or not to approve negotiations between the USG, Northrop and Iran on a final F–18L package which could be presented to Congress.

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<sup>6</sup> According to a memorandum from Janka to the Middle East Arms Transfer Panel, December 23, Rumsfeld and Hyland agreed that the question of the 250 F–18L aircraft for Iran should be forwarded to the panel for further interagency study. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 7, Country File, Iran Mil. (5))

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## 191. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, October 30, 1976, 0231Z.

267996. Eyes Only for the Ambassador. Subject: Letter from President Ford to His Imperial Majesty Mohammad Reza Pahlavi:<sup>2</sup>

1. At the earliest appropriate time, and in any event, no later than COB Monday, November 1, please deliver the following personal message from President Ford to His Imperial Majesty, Mohammad Reza Pahlavi:

2. *Begin text:* Your Imperial Majesty: Your decision not to insist upon an oil price increase at the Bali OPEC meeting in May was an act

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, N760007–0861. Secret; Niact; Immediate; Nodis. Drafted by Rogers and approved in the White House by Hormats.

<sup>2</sup> Similar letters were sent to King Khalid and President Pérez on October 29. (Both in Ford Library, National Security Adviser, NSC International Economic Affairs Staff: Convenience Files, Box 5, OPEC (1)) President Ford approved sending the letters, as recommended by Scowcroft in an October 28 memorandum. See *Foreign Relations*, 1969–1976, vol. XXXVII, Energy Crisis, 1974–1980, Document 106. According to a memorandum to Kissinger from Rogers, November 12, the letters were part of a broader strategy in which U.S. officials approached key OPEC members to resist a price hike at the December 15 OPEC meeting in Doha, Qatar. (National Archives, RG 59, Central Foreign Policy Files, P840121–1973)

of statesmanship which was important in determining the outcome of that meeting.<sup>3</sup> Avoidance of an oil price increase is of such great importance to the maintenance of the global economic recovery now underway that I am writing to request your continued constructive leadership in order to prevent such an increase.

3. I have been kept fully informed of your concern earlier this year that decreased oil exports would seriously affect Iran's internal economic development and its ability to fulfill its role in the region. I have carefully noted, therefore, that the increased economic activity associated with recovery in a number of oil-importing countries is reducing the difficulties which you had anticipated in financing Iran's development and defense plans. I am told that in the last four months Iranian crude production has averaged nearly six million barrels a day.

4. It now appears likely that the OPEC countries will earn \$125 billion this year from their oil exports, about 20% more than in 1975 and more than 400% more than they earned in 1973 on a similar volume of oil exports. In contrast, our most careful analysis of the dollar prices of exports from the major industrialized countries to the oil producers indicates that these prices have risen by only 30% since mid-1973, and only 4% over the past year. Prices for our largest export—grain—have actually fallen; wheat prices averaged \$150 per ton in the first half of this year, compared to \$200 per ton in 1974.

5. The progress of industrialized countries in controlling inflation through major policy actions has been dramatic, considering all circumstances, with the average rate of inflation for major countries now standing at half the 1974 rate. In the United States prices are rising at about 6% annually, compared with 12% in 1974. It is likewise encouraging that certain oil-importing developing countries have begun to narrow their current account deficits in 1976 as a result of reduced inflation, rising exports and improved terms of trade. However, the balance of payments situation of many countries remains critical, while that of less fortunate energy deficient developing countries is truly desperate. Many countries have in fact virtually reached the end of their ability to borrow.

6. My deep concern, which I bring to your attention in the spirit of our close relationship, is that the favorable trends toward economic recovery will be reversed by the negative inflationary and balance of payments effects of a new increase in the price of oil. Several important industrialized countries which are experiencing economic difficulties and the attendant danger of political instability would encounter still more severe economic problems if faced next year with a new oil price

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<sup>3</sup> See footnote 4, Document 175.

increase. Similarly, the energy deficient developing nations would suffer additional damage to their prospects for economic growth and a further erosion of their already weak borrowing ability. This would add major new strains to the international financial system and intensify pressure on both industrialized and oil-producing nations to provide balance of payments support. Thus, the fragile and uneven nature of the global economic recovery requires that responsible nations avoid action which would endanger it.

7. Secretary Kissinger reported fully to me on his talks with you last August, and noted your concern about the need to maintain close cooperation between our two countries despite opposition in Congress and other circles.<sup>4</sup> As the Secretary told you, this administration is determined to continue to assist your nation in developing its military establishment and meeting its goals for economic development and to cooperate with Iran in seeking solutions to major regional and worldwide economic and political problems. I am sure you have been fully informed of the administration's successful resistance to Congressional attempts to block the sale of F-16 aircraft and other military equipment to Iran. The struggle with certain segments of American opinion on this subject has by no means been won, however, and I fear that there will be further and perhaps greater pressures next year. By working together, we can overcome these pressures and solidify the close relationship between our two countries. However, Iranian support for an OPEC decision to increase the price of oil at this time would play directly into the hands of those who have been attacking our relationship.

8. The determination to strengthen the cooperation between important producing and consuming nations, which you and I share, is not universal. And yet this cooperation, and that between the developing and developed worlds, is a key element in the pursuit of the global political and economic stability which will allow all nations to achieve better lives for their peoples. I believe that further progress in a number of areas of the North-South relationship, including the official development assistance made available to the developing world, should be possible in the coming months. Your resistance to a further increase in the price of oil could be a significant influence in restraining the growth of pressures which threaten to divert us from the path of positive achievement in this important area.

9. Given this situation, I believe that the outcome of the December OPEC meeting will have far reaching economic and political consequences. Your Imperial Majesty's personal stature and Iran's position of international leadership provide an opportunity for a historically im-

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<sup>4</sup> See Document 183.

portant contribution to political stability, economic prosperity and co-operation beneficial to Iran and to all nations. I therefore urge Your Imperial Majesty to give these concerns serious and positive consideration in making your decision on this matter. Sincerely, Gerald R. Ford

*End text.*

10. The above letter should be dated October 29, 1976.

Kissinger

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## 192. Letter From the Shah of Iran to President Ford<sup>1</sup>

Tehran, November 1, 1976.

Dear Mr. President,

I thank you for your letter of 29th October 1976 containing your views on various questions of mutual interest.<sup>2</sup>

As you yourself, Mr. President, are aware, Iran did not insist on an oil price increase at the Bali OPEC meeting in May, despite the fact that many members of the Organization had proved that the oil exporting countries had lost a great deal of their purchasing power. This decrease in our purchasing power has for some time now been no less than 40 percent and that from a rapidly depleting finite product. Our hope in Bali was that the world would recover and, in the meantime, that the Paris Conference between North and South<sup>3</sup> would lead to certain meaningful developments in the interest of all.

I would like to reaffirm the fact that Iran has all along advocated two fundamental principles with regard to the energy question. Firstly, that if oil is sold cheaply, no alternative source of energy will be developed and the world dependence on the rapidly depleting supplies of oil will continue to increase. As I have repeatedly stressed in the past, this vital product must be preserved for more noble purposes such as the production of petrochemicals including fertilizers and numerous other beneficial derivatives rather than for heating, lighting and power. Secondly, we have proposed that the solution of the world's energy

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 6, Iran (15). No classification marking.

<sup>2</sup> See Document 191.

<sup>3</sup> Reference is to the Conference on International Economic Cooperation which opened in Paris in July.

problem lies in the implementation of effective programmes for the development of alternative sources of energy and oil conservation. Such a development and conservation cannot take place unless the price of oil is adjusted to the level of that required to develop an alternative source of energy. In addition, this price will have to be protected against imported inflation through indexation or linking the price of oil to that of commodities and services imported by the developing countries.

With regard to your reference, Mr. President, to the progress achieved by the industrialized countries in controlling inflation, I must point out that this may be the case with the United States of America, the Federal Republic of Germany and Japan. On the other hand, we know that many of the economies of the developed countries of the world are sick and in a precarious state. We are purchasing commodities also from the United Kingdom, France and Italy and we find that their inflation is running very high sometimes even at the rate of more than 20 percent. I realize that their balance of payments situation remains critical, but this certainly does not justify our committing suicide by paying for their failure or inability to put their house in order by succeeding in making the necessary adjustments in their economy through domestic measures.

The United States of America two years ago introduced an energy independence programme to be achieved by 1980.<sup>4</sup> In fact since that time, the dependence of the United States on imported oil has increased to 45 percent and in 1976 alone the imports of oil into your country are expected to rise by nearly 20 percent. Concerning Iran's position, I feel constrained to say that not only has our purchasing power been eroded by 40 percent, but we also experienced a sharper decline in our oil exports in 1975 and in early 1976. Furthermore, though the industrialized countries have been making efforts to reduce inflation, these measures have been only partially successful in relation to domestic prices while their export prices have continued to rise as rapidly as in the past. In this respect, my country has in some cases, especially with regard to the United States, been purchasing items in 1976 at prices 400 percent higher than those that prevailed in 1973. Thus our treasury is feeling a much greater loss of revenues in real terms. As for your reference to the price of grain, I would like to draw your attention, Mr. President, to the fact that unlike petroleum, wheat is a renewable commodity and the factors determining the price of these items are quite different. Moreover, the recent decline in world wheat prices was due to the bumper crops in the United States, the Soviet Union and in many other coun-

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<sup>4</sup> Reference is to President Nixon's energy program, Project Independence, which President Ford endorsed.



tries including my own where this year we will not require to purchase wheat from abroad.

You are no doubt fully aware, Mr. President, of my deep concern for the need to maintain close cooperation between our two countries. However, if there is any opposition in the Congress and in other circles to see Iran prosperous and militarily strong, there are many other sources of supply to which we can turn for our life is not in their hands. If these circles are irresponsible then it is hopeless, but should they be responsible, they will certainly regret their attitude to my country. Nothing could provoke more reaction in us than this threatening tone from certain circles and their paternalistic attitude.

As you will no doubt agree, Mr. President, Iran has always followed a policy of restraint and moderation, but the incredible economic situation of some Western countries is such that history will not forgive us should we deplete our finite and most precious wealth just to allow these countries to continue their politicizing and indecision. Nevertheless, you may rest assured, Mr. President, that in the councils of OPEC, Iran has adopted one of the most moderate attitudes.

With best wishes and kindest regards,  
Sincerely,

**M.R. Pahlavi**

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**193. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, November 1, 1976, 1140Z.

10874. Sub: Foreign Ministry Statement on Secretary Kissinger's Remarks About Iranian Intelligence Personnel in the U.S.

1. On November 1, MFA's Fourth Political (American) Department head, Hatef, clarified for Embassy statement by MFA spokesman which appeared in late papers October 31 and morning papers November 1 re Secretary Kissinger's response to question on what is being

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<sup>1</sup>Source: National Archives, RG 59, Central Foreign Policy Files, D760406–0740. Confidential; Immediate.

done about SAVAK shadowing of Iranian citizens in U.S.<sup>2</sup> Press stories carried UPI report on that subject and in particular lighted on quote from Secretary as follows: "It is not correct that the U.S. is aware that Iranian intelligence personnel are checking on individuals living in the U.S. We are making inquiries and if it is correct we are asking that it be stopped."<sup>3</sup>

2. Hatef translated from remarks in Farsi made by MFA spokesman as follows: "We are very friendly with the U.S. Our relations are good and we have beneficial common interests. But any action that they might take towards our representatives we would reciprocate toward their representatives."

3. Hatef confided that Iranian Embassy in Washington was instructed to bring this statement to the attention of the Department in a very friendly and polite fashion. Any discussion of the statement by other Iranian Embassies around the world should be in the same fashion.

4. *Comment:* From discussions at Foreign Ministry Nov 1, it seems clear Iranians are being careful not to make too much of this issue and hope it will disappear soon. However, the statement serves notice that any restraints imposed on, or actions taken toward, Iranian representatives in the U.S. would be reciprocated here.

**Helms**

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<sup>2</sup> On October 26, *The Washington Post* published an article by Jack Anderson and Les Whitten entitled "CIA Seen Abetting Foreign Agents," which claimed that "SAVAK agents hound and harass Iranians in the United States, with the full knowledge and sometimes the assistance of the CIA." The article quoted Atherton as confirming the presence of SAVAK agents on American soil, who were seeking information about "potential terrorists who may be among students who would return to Iran." Other sources claimed that SAVAK was sending assassination squads into Europe and the United States to eliminate Iranian dissidents, one of whom, Reza Baraheni, requested that the U.S. Attorney General investigate. See footnote 7, Document 184, and Documents 199 and 201.

<sup>3</sup> Kissinger was responding to the first question asked at his press conference on October 27 at Hartford, Connecticut. For the transcript, see the Department of State *Bulletin*, November 22, 1976, p. 640.

## 194. Memorandum of Conversation<sup>1</sup>

Washington, November 26, 1976.

### SUBJECT

Iranian Sales of Oil for the U.S. Strategic Reserve

### PARTICIPANTS

#### *Iran*

Ambassador Zahedi, Embassy of Iran

#### *United States*

Charles Robinson, Acting Secretary of State

Rutherford Poats, Senior Adviser

Charles Naas, Director, NEA/IRN

Mr. Robinson stated that at the instruction of Secretary Kissinger, he had requested Ambassador Zahedi to call for a further discussion of the oil price issue. He noted that the Ambassador was fully familiar with our views concerning the severe economic impact on western European countries and the possible political instability which could develop as a result of price increases. His purpose in talking with the Ambassador today was not, he said, to review these economic arguments nor to restate the points made by Secretary Kissinger to the Ambassador recently. Rather, he wanted in very general terms to explore with the Iranian Government what we could do together for our mutual advantage.

Is there, he questioned, a possible basis for an arrangement on oil which would bring about a modification of the Shah's present position on the price of oil?

We are currently interested in making arrangements for the purchase of oil for the Strategic Reserve. Under the legislation, FEA will have to submit to Congress by December 15, its proposal concerning the arrangements for filling the Reserve, for example whether the oil will be domestic or foreign and whether such arrangements will be on the basis of a long-term contract or spot purchases. Purchases for the Strategic Reserve will at the outset be in the range of two to three hundred thousand barrels per day and half of this could possibly come from Iran if NIOC is able to supply at least one half of the amount in light oils. Mr. Robinson stated that we would be willing to look carefully at the idea of a prepayment arrangement. He noted that after the turn of the year the demand for Iranian oil, which is currently very

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P830162–0139. Secret; Exdis. Drafted by Naas and approved by Poats.

high, is likely to decrease. Therefore, it is possible the Iranian Government might wish to explore with us a long-term contract. The Acting Secretary emphasized that he was not making any specific proposal at this time but that we were willing to explore with the Iranians whether some sort of arrangement could be found which would benefit Iran and argue in favor of modification of Iran's current position on the next OPEC price increase. He emphasized that we are not thinking of a discount plan such as was presented earlier by Mr. Zarb.

The Acting Secretary concluded his presentation by stating that if there were Iranian interest we would be willing to send someone to Tehran immediately to discuss the specific details and seek an arrangement whereby we would both benefit.<sup>2</sup>

Ambassador Zahedi, who took notes during the Acting Secretary's presentation, sought a recapitulation of the above presentation and then stated that personally he thought the idea would be attractive to his Government. He reviewed briefly previous Iranian efforts (1968–69) to sell large quantities to the United States for its reserves and referred briefly to the previous efforts of Frank Zarb and Minister Ansary to reach agreement on Iranian sales for the Strategic Reserve. He stated that he would immediately inform the Shah and that he hoped to be able to give a response to Mr. Robinson before Sunday, November 28, when he would go to Mexico for the inaugural ceremonies.

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<sup>2</sup> In telegram 303406 to Tehran, December 15, Robinson sent Helms more details on the benefits for Iran of the Strategic Petroleum Reserve procurement plan, which was to be announced December 16 and submitted to Congress. (National Archives, RG 59, Central Foreign Policy Files, D760460–1108) Telegram 307887 to Tehran, December 21, sent the details of a briefing on the plan presented to an Iranian Embassy officer. (Ibid., D760467–0918)

**195. Memorandum of Conversation<sup>1</sup>**

Washington, December 7, 1976, 10–11:23 a.m.

**PARTICIPANTS**

President Ford

Amb. Ardeshir Zahedi, Ambassador of Iran

Brent Scowcroft, Assistant to the President for National Security Affairs

Alan Greenspan, Chairman of the Council of Economic Advisors

[There is a brief discussion of the weather here and in Iran, hydro-electric projects in Iran, the Helmand River project, etc.]

The President: Let me extend to the Shah my personal regards. I have great personal regard and affection for him. I hope that in the future years the close relations we have between our two countries will continue. There is a strong feeling in the United States for the Shah and Iran.

But I want to talk about an issue which troubles me—the Doha meeting and a possible oil price increase. I have read the Shah's letter very carefully.<sup>2</sup> I both agree and disagree with it. I agree wholeheartedly with his points about conservation. The industrial world has not done enough, and it is essential. I have proposed a conservation plan which the Congress has not yet accepted. We are searching and we need to do more with respect to alternate sources of energy. I do disagree with him on the issue of oil price and its relation to industrial prices. These are honest differences between friends.

But let me talk about the impact that an increase will have. There is unanimity among my advisers that the world economic health is not good. Any increase in the price of oil would have a serious impact on the world financial structure. Its precise impact is hard to predict accurately.

An increase would also have a serious impact on our capability to help the developing countries. If economic conditions here don't improve, the American people will ask how they can continue helping the developing world when we have such serious difficulties at home. If our economic situation improves—I am an optimist, but we do have this pause, which I feel will be resolved in the direction of stable growth—we will be able to continue and expand our efforts toward North-South cooperation. The other industrial countries are lagging be-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 21. Secret; Nodis. The meeting was held in the Oval Office. All brackets are in the original.

<sup>2</sup> Document 192.

hind now the United States, and the resources for North-South cooperation simply wouldn't be available if economic progress halted.

I am a strong supporter of the Shah. I think he has done great things for his country and is a strong force for moderation and stability in the Middle East. I spoke out publicly during the campaign in support of the Shah. I want to continue my participation in public affairs after I leave.<sup>3</sup> I want to continue my support of Iran—I would like to visit there at some time. It would help me greatly in my efforts if the Shah could exercise a moderating influence in the OPEC meeting. I understand his position and I agree with part of his position. But we have to look at it in a broader perspective now and I think an increase would have a serious impact on the world economic structure.

Zahedi: It is a great honor for me to meet with you, Mr. President. I want you to know how greatly you are admired by the Shah and by my people. I say that from the heart on his behalf and my behalf.

I don't want to take your time, but two years ago when prices were going up I talked to Secretary Kissinger and Secretary Simon and would have gone to the area right then and would have helped. But the past is past.

Again, the meetings on the North-South dialogue have not gone well. There are people in this government who are not sympathetic. Then under President Johnson and early in the Nixon Administration, when I was Foreign Minister, we proposed that oil resources be set aside to buy industrial equipment on a swap basis. The Congress objected to that too and it never came to fruition.

The decision on holding this meeting in December was accidental, based on a number of countries' budgets. But I have been talking to other Ambassadors about postponing the meeting. I talked with His Imperial Majesty about it, but it is almost impossible. Had I known of your letter to His Imperial Majesty,<sup>4</sup> I would have urged that it be held earlier or not at all. The timing was not good.

The Shah told me how much respect he has for you and he would like to do whatever he could. But he said he could not propose a change of date for the meeting but would accept it if others do.

On the question of price, he said it is inevitable there would be an increase but he proposed that it be a moderate one. Our industrial import costs are going up rapidly. The price of services has risen tremendously. The price per month has gone up from \$3–4,000 to \$12,000–16,000.

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<sup>3</sup> Ford lost the Presidential election on November 2 to Jimmy Carter.

<sup>4</sup> See Document 191.

But we do understand the problem, and we have been thinking of only a 10 percent increase.<sup>5</sup> We thought about setting aside 10 percent of each barrel to help the needy countries. This failed, and we compromised on \$600 million of which we—the Arabs—gave 40 percent. Again, on the agricultural fund, we have contributed about \$400 million and the developed countries haven't done too well. Then bilaterally we have set aside about 7 percent of our Gross National Product to help the developing world and our neighbors. [He listed some who are being helpful.]

We do understand the problem. The recommendations for the proposed increase range from Algeria who is proposing 40 percent—that would be irresponsible—to Saudi Arabia which publicly says 5 percent but they are trying to be the white knight. There will be an increase. What would be moderate?

The President: The only way we can reassure the world economy is to have no increase.

Zahedi: That is not possible.

The President: I am telling you the facts. Any increase would jeopardize the economy and no increase would be a shot in the arm. The next best would be a delay. Is that possible?

Zahedi: Now, it is almost impossible. If it were done early in the fall—when Secretary Kissinger and I were joking about it—if you had asked for March, it would have been easy. But Secretary Kissinger said wait until after the election.

I know how you spoke up for Iran and the Shah is deeply grateful. I don't believe any of the OPEC countries would agree to a delay because it would look like they were forced to.

The President: That's why I asked you to come in quietly. I want to have no confrontation, and that is why this meeting is private. You say a delay or no increase is out of the question. Start with the Nigerian 40 percent. That would be catastrophic.

Zahedi: Most of them are talking of 20–25 percent.

The President: That would also be catastrophic. Alan, maybe you can address it in more detail.

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<sup>5</sup> According to telegram 9054 from Geneva, November 13, Yamani told a *Newsweek* reporter that the Iranians were pressing for a 15 percent price increase and rejecting Saudi arguments that to avoid an early confrontation with Carter, OPEC should institute a 6-month price freeze and postpone the Doha meeting. According to the reporter, Yamani claimed that the Saudis hoped to negotiate a compromise on a 5 percent increase. (Ibid., NSC Middle East and South Asian Affairs Staff, Box 36, Subject File, Middle East–Oil (5)) At Doha, a two-tier price system emerged, in which Saudi Arabia and the United Arab Emirates stuck to a 5 percent increase and the rest of OPEC raised prices 10 percent.

Greenspan: I think it is a fact that the world has not yet adjusted to the earlier increase. The early very sharp increase was very destabilizing. It was possible to accommodate as well as we did because there was considerable lending flexibility, both among borrowers and lenders. Now, however, that flexibility has vanished. The international financial structure is now stretched thin. What is wrong in the strong industrial countries is a lack of confidence. That is the basic reason for the pause. The reason for the confidence gap is the huge increase in debts. The overhang of an oil price increase adds greatly to that lack of confidence. No price increase would have a very beneficial psychological effect around the world. It would bring us together and help the world economy to move again.

I agree with the Shah that oil is scarce and has to be priced against competing fuels. It is a matter of time. Alternate sources take time and tremendous investment.

Since it is a matter of psychological confidence, there is no such thing as a moderate increase. And the psychological benefit of no increase, in the face of all the current fears, would be substantial.

The President: There is just one more thing. The situation, in several countries, is very serious. Take Italy. They are having serious economic problems but at the bottom it is political. If the government can't cope, there will be Communists in the government. In France, the situation is potentially serious, with strong Communist forces. In Portugal, the situation is very tenuous with the government just hanging on and the threat of a collapse. In Spain also, they are making great progress, but it is still fragile. That is why I come back to no increase or a delay. Any increase adds to the danger of a financial crisis, to failure in some governments, even to the danger of military crisis.

Zahedi: I think there is no doubt there will be an increase, especially after the steel price increase in this country. Many newspapers are now speculating there will be a 7–15 percent increase. We would not accept a big increase. There will be an increase, but we are concerned about the security situation in Europe. We know more than most how important Europe is and the dangers of being isolated. That is why we are giving bilateral help to European governments. The price of oil is about one-half percent in the United States and about one or one-and-a-half percent in Europe. Unless people get a shock, they won't realize we have to switch from oil. We have plenty of coal.

I spoke in Mexico with President Lopez Portillo. What a great love he has for you.

The President: He is very impressive.

Zahedi: We cannot let Mexico collapse. Some are going to help them. Our Minister of Finance is going there in January.



I think if nothing unusual happens—and the Shah hasn't told me so I am guessing—it would be about ten percent. The highest would be 15 percent and we would fight anything over 15 percent. Less than ten percent, I don't know, but I honestly don't think so. The Shah said I could promise you he would be moderate and very moderate.

I will report this conversation also. But the Shah understands; he has great feeling for you and for the United States. And I feel very strongly about the United States and our relationship. Anything I can do, I would like to.

The President: I appreciate that and I know it is true. That is why I thought we could talk together this way as close friends. Please express to him my admiration and affection for him. I hope that the great influence he has will be directed toward a moderate increase.<sup>6</sup>

Zahedi: I will tell him again. You and Mrs. Ford have an invitation to visit Iran. I hope you come as many times as you can and stay as long as possible. You are a great man and we love you, whether you are in or out of office.

The President: I am very grateful and we would at some time like to take advantage of your very kind offer.

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<sup>6</sup> In the talking points for this meeting, which Scowcroft sent to Helms in backchannel message WH61678 to Tehran, December 6, the President was advised to say that he would publicly condemn a price increase despite its impact on broader U.S.-Iranian relations. (Ibid., Backchannel Messages, Box 5, Mideast/Africa, Outgoing 12/76) Helms responded in backchannel message 425 from Tehran, December 7, that "the Shah will take such a threat from the President of the United States so personally that future negotiations with him on oil prices and many other issues may become most difficult if not impossible." The Shah, Helms noted, had a long memory for slights. (Ibid., Incoming, 12/76) Scowcroft reported in backchannel message WH61682 to Tehran, December 7, that he had prepared Ford to avoid those "pitfalls." (Ibid., Outgoing 12/76)

**196. Memorandum From Robert B. Oakley of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, December 10, 1976.

SUBJECT

US-Iranian Relations and the Arms Deal with Moscow

As you are aware, the Iranians recently signed an arms agreement with the Soviet Union which went beyond the levels of arms purchases that they have made in the past from the USSR.<sup>2</sup> This new "opening to Moscow" must be seen in the context of the Shah's perceptions of his relationship with the US and the overall trend of those relations over the next few years. The Shah has become increasingly upset by what he sees as a growing challenge in this country to the close bilateral relationship between the United States and Iran. Over the past few months, this sensitivity has been reflected in his public comments, his conversations with Ambassador Helms and the Station Chief in Tehran, and in the tenor of his instructions and queries to Ambassador Zahedi. His dissatisfaction is the result of a series of essentially unrelated but mutually reinforcing issues:

—*Oil Prices.* The Shah has been identified in the public mind as the leading "price hawk" in OPEC, and his outspoken support of higher oil prices has been linked to a need to pay for his very large arms purchases. As OPEC goes into another round of pricing discussions which may result in an oil price increase, the Shah is probably concerned that he will be cast as the principal villain and that in turn this will make it more difficult for the USG to respond to his requests for additional advanced military equipment.

—*Human Rights.* Publicity by dissident Iranian students and others concerning political arrests and official brutality of Savak have received widespread play in the US media and have increasingly been picked up in the Congress. The Shah has responded characteristically with a blunt rejection and counterattack against these charges, but the fact that he has been hearing it in virtually every recent interview with Amer-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (13). Secret. Sent for information. Scowcroft initialed the memorandum.

<sup>2</sup> The Embassy provided details of the arms deal in telegrams 11933 and 12216 from Tehran, November 30 and December 9. (Both in National Archives, RG 59, Central Foreign Policy Files, D760443–0448 and D760454–1271)

icans—from Mike Wallace to Senator Culver<sup>3</sup>—has evidently irritated him even more than usual. He is particularly incensed by the possibility that Congress may link arms sales to Iran with human rights questions.

—*Level of Arms Sales.* Although no Iranian request for military equipment has yet been rejected by the Congress, public criticism of the Shah's appetite for sophisticated hardware has recently become more prevalent and is receiving greater attention from Congress, given impetus by such carefully documented reports as the SFRC study<sup>4</sup> and recent newspaper accounts of the F-18L request. This is another subject the Shah hears about repeatedly from visitors and in the US press. It also cropped up during the recent campaign, and the Shah may attribute the lack of a US response to his F-18L request to the effects of this criticism.

Toufanian's recent visit to Moscow and the conclusion of a major new arms agreement with the USSR should be seen in the context of these concerns. Its occurrence less than a month after the election is probably more than coincidental, and the fact that the Shah chose to inform us of the deal personally only two days after it was signed suggests that he did not intend the signal to be overlooked. This new agreement (which includes 500 armored personnel carriers, 500 tank transporters, and an undetermined number of SA-7 shoulder-fired missiles and ZSU-23 anti-aircraft weapons) goes well beyond the non-lethal nature of previous arms purchases from the Soviets, and the inclusion of the SA-7 may be intended as a specific response to our footdragging in response to his request for Stinger and Hamlet, just as the overall transaction is a signal relating to our general approach to Iranian arms requests.

Of particular interest is the Shah's statement that Toufanian had asked the USSR to provide surface-to-surface (probably SCUD) missiles. The Soviets reportedly turned him down (as we did earlier on the Lance), but the Shah's willingness to approach the USSR for weapons of this nature suggests that he is willing to pay a considerable political price to obtain a missile system. His reasons were spelled out more fully during a recent briefing on Iraqi military capabilities by General Wilson of DIA, when he emphasized his need for a weapons system capable of neutralizing Iraqi SAM sites without risking the loss of large

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<sup>3</sup> Telegram 10345 from Tehran, October 14, informed the Department that CBS was producing a report on the American community in Iran, featuring a Mike Wallace interview with the Shah. (Ibid., D760385–1127) Telegram 11630 from Tehran, November 21, reported on the visit of a Congressional delegation to Tehran, in which Senator John Culver of Iowa asked the Shah about repression and SAVAK activities. (Ibid., D760433–0589)

<sup>4</sup> See footnote 4, Document 179.

numbers of aircraft. (His views may have been reinforced by the recent loss of an F-4 to PDRY anti-aircraft fire on the Omani border.) In any event, we should anticipate further efforts by the Shah to obtain a surface-to-surface missile system—from us or from some other source.

Following shortly on the heels of the highly publicized Sophia meeting of Egyptian Foreign Minister Fahmy with Gromyko, this is the second rather ostentatious case of bridge building to Moscow which we have observed in the last month. Although Egypt's objectives are quite different from the Shah's, it is evident that both are going to considerable lengths to let us know that they are keeping their options open as they approach a period of anticipated tough bargaining with the new Administration.

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#### 197. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, December 23, 1976, 1052Z.

12714. Subj: Human Rights: Tour d'Horizon With MFA on New Foreign Assistance Act (FAA Requirements).<sup>2</sup>

*Summary:* At request MFA, PolCouns and PolOff handling human rights matters briefed MFA Fourth Political (American) Department on new security assistance legislation and potential impact on Iran. Discussion went beyond technical details to philosophy of new legislation, U.S. Congressional attitudes, and Iranian approaches to human rights problems. EmbOffs consistently took line that what, if anything, to do about human rights is GOI decision while Embassy prepared to be helpful to extent GOI desires and provides relevant information. *End summary.*

1. At specific invitation of Fourth Political Department head Hatef, PolCouns Lambrakis and Stempel briefed him and three other officers on new provisions of FAA relating to human rights reporting and possible cutoffs of military sales. Discussion dealt both with FAA legislation and more philosophical aspects of problem. Hatef had read copy of

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760471-0342. Confidential.

<sup>2</sup> President Ford signed the International Security Assistance and Arms Export Control Act of 1976 on July 1. Telegram 231122 to all diplomatic posts, September 17, provided guidance on the section of the legislation that linked security assistance to human rights. The posts were instructed to inform officials in host countries of this provision and report their reactions. (Ibid., D760353-0445)

Committee print, "Human rights in Iran," which covered Fraser hearings August 3 and September 8, 1976,<sup>3</sup> and asked EmbOffs for additional copies. Would appreciate Department pouching five copies this document.

2. Meeting opened with review of U.S. legislative reporting requirements, deadlines, and role envisaged for new Coordinator for Human Rights and Humanitarian Affairs in State Department.<sup>4</sup> Hatef inquired if latter would have assistants who would travel to countries such as Iran to gather information. EmbOffs replied it is still too early to know what may develop, but for the present reports were prepared in the Department on the basis mainly of Embassy reporting. Hatef asked what Congress could do if State Department should report favorably on human rights situation in a country such as Iran. Would these reports suffice? EmbOffs pointed to certification option that law provides for Secretary of State as additional input. Hatef nevertheless expressed concern that Congressmen and staffers might prejudice a country and disregard State Department views in favor of "inaccurate reporting" such as Amnesty International's or ICJ's. Hatef pointed to multiple inaccuracies in Butler ICJ report along lines Tehran 6119 (but more comprehensively),<sup>5</sup> and commented that it is sad some Congressmen give credence to instant "experts" rather than official, better-researched reporting. EmbOffs responded that Congressmen necessarily review vast numbers of reports and are themselves used to dealing on the basis of information which may not be accurate in every respect but contains information which they consider persuasive, or at least worth investigating. However, State Department appears to be maintaining its credibility with Congress—as witness good Congressional reception of Atherton and Habib testimonies<sup>6</sup> (of which copies had been provided to MFA). EmbOffs noted human rights problem is important and a serious concern, but responsible people in both governments need not panic. Point is, new FAA legislation underlines heightened Congressional interest and requires more Embassy reporting. The more information Embassy can provide Washington, the better off everybody will be.

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<sup>3</sup> See footnote 3, Document 184, and Document 185. The full title of the report is *Human Rights in Iran: Hearings before the Subcommittee on International Organizations of the Committee on International Relations*, House of Representatives, Ninety-fourth Congress, Second Session, August 3 and September 8, 1976.

<sup>4</sup> James M. Wilson was appointed November 17 as the first Coordinator for Human Rights and Humanitarian Affairs.

<sup>5</sup> Telegram 6119 was not found; see Document 184 and footnote 11 thereto. Regarding the Butler report, see footnote 12, Document 184.

<sup>6</sup> See footnote 3, Document 185. The text of Habib's statement for his testimony on the F-16 sale to Iran before a Senate Foreign Relations Committee subcommittee was transmitted in telegram 229306 to Tehran, September 16. (National Archives, RG 59, Central Foreign Policy Files, D760353-0445)

3. Hatef said he personally favored providing maximum information, but GOI security officers not similarly inclined. EmbOffs suggested possibility of trying to distinguish more clearly in statistics and public information between those convicted of terrorism and those in jail for crimes not involving violence ("crimes of conscience"), whether these be Marxists or others. There then followed discussion of: (A) problems security forces have in dealing with detainees where timely interrogation may produce intelligence to blunt forthcoming terrorist threats; (B) Iranian use of preventive arrest where evidence suggests person or group about to commit crime; and (C) problems posed where professor or artist is accused of Communism or of assistance to terrorism and incarcerated, but no information made available, thus giving GOI opponents an open field. Hatef said GOI could challenge its detractors such as Amnesty International on almost all cases of torture alleged thus far but security officials did not want to let outsiders have current addresses of these former prisoners, citing need to protect their sources and even in some cases to protect persons of those released whom Amnesty International alleged were still in jail. EmbOffs noted this difficulty, but also public relations risks involved in complete secrecy. Hatef agreed.

4. EmbOffs spoke of cumulative image problem, saying organization like Amnesty International builds credibility by proving one or two cases in one country, with effect that its word is more easily accepted on other cases in other countries where evidence perhaps not as conclusive. It would appear to be in Iran's own interest to dissociate itself in public mind from such other cases. Hatef remarked in passing on the difference between Iran today and Greece under the recent government of the Colonels; he had visited latter and felt police rule in the air. Iranians today do not have such feeling of fear, he said.

5. Hatef was given copy of Ottaway December 12 *Washington Post* article on growing human rights lobby in Washington and in Europe.<sup>7</sup> Discussion continued on advantages of open information policy and on utility of GOI's being as forthcoming as possible on human rights inquiries. EmbOffs noted Iran, as sovereign state, obviously might feel under no obligation to provide information, and it is up to GOI to weigh political consequences of not doing so. There are times when prompt explanations might defuse concern. EmbOffs suggested stressing historical background of human rights problems in Iran and speculated personally that stronger presentation of Iran's case, especially by non-governmental figures, would probably be useful in improving understanding of Iran's circumstances. EmbOffs agreed general image problem might be exacerbated at times by issues (such as oil

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<sup>7</sup> The article by David B. Ottaway is entitled "The Growing Lobby for Human Rights."

price rise) having nothing directly to do with human rights, but that efforts to meet human rights criticism on case-by-case basis would probably help give better picture of Iranian human rights situation, particularly in context terrorist threats. Meeting ended with Hatef indicating it had been very useful to him, and he expected to come back to the question after he has reported to his superiors.

6. *Comment:* Importance of meeting lies less in what was discussed than in fact Iranians in MFA at least seem seriously to be focusing on problem and on U.S. concerns. Hatef said meeting was at Undersecretary Assar's specific instruction. Hatef's assistants took copious notes. Discussion will clearly be reported to higher levels of GOI. We think these talks in relaxed, forthcoming manner and at working level are useful both for getting U.S. points across in non-confrontational setting and for developing mutual basis for further discussion. Hatef and colleagues at no time accepted even partial validity of charges against Iran (he fished very hard for EmbOff judgments) but at least implicitly agreed with EmbOffs that matter requires better Iranian handling. Hatef probed what future Congressional attitudes and procedures might be in applying new law. EmbOffs stressed several times that legislation is new, and procedures still not worked out beyond steps outlined in FAA.

7. In process of discussing mutual false impressions, Hatef referred to case of an Air Force man who went to U.S. or Canada, deserted, and is now claiming he would be tortured or killed if he returned to Iran. This is patently false. Sensing similarity to possible case discussed State 280682 and Tehran 11813,<sup>8</sup> EmbOffs asked for, and Hatef agreed to provide, details of case. Will report when these provided.

8. In separate but related matter also indicating increased Iranian interest in human rights, local English, French, and Farsi press has over past week attacked Amnesty International for parroting same line as French Communist journal *Humanité* on subject of Iranian students arrested in Paris for attacks on Iranian Consulate. December 19 *Ayandegan* and December 20 *Ettela'at* go even further, but with different thrust, attacking Amnesty International for being tool of "international imperialism." They even allege it is receiving CIA backing and contributions. Informal translations principal items being pouched Department (NEA/IRN).

**Helms**

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<sup>8</sup> Telegram 280682 to Tehran, November 15, inquired on behalf of Congress about the likely punishment facing the IIAF deserter, who claimed that he would be tortured or executed. (National Archives, RG 59, Central Foreign Policy Files, D760426-0922) In telegram 11813 from Tehran, November 28, the Embassy expressed doubt that deserters would face torture or capital punishment. (Ibid., D760441-0041)

**198. Action Memorandum From the Assistant Secretary of State for Economic and Business Affairs (Katz) to Secretary of State Kissinger<sup>1</sup>**

Washington, December 29, 1976.

Iranian Debt Arrearages

*The Problem*

The issue of Iran's \$36 million debt arrearages is the type of problem we should try to wrap up quickly.<sup>2</sup> Although we have given the matter priority attention over the past year, our efforts need a new impetus. We believe a friendly reminder from you to Finance Minister Ansary could be quite effective in getting this problem off dead center.

Congress has been very critical of Iran's failure to pay the debt, and the issue could flare up and become a major irritant in US–GOI relations at any time. Jack Brooks'<sup>3</sup> Committee on Government Operations is the focal point of Congressional criticism, with the Committee recently recommending that we consider limiting weapons sales to Iran until the debt is paid. Brooks will also be the key man in President-elect Carter's plan for Executive Branch reorganization. We have been asked by Brooks' Committee to report by January on the status of our collection efforts.

Therefore it would be in both our own interests and those of Iran to quickly clear this up.

*Background/Analysis*

The United States has been in regular communication with Iran for the past four years in an effort to collect arrearages (principal and interest now totaling about \$36 million) on several lend-lease and surplus property agreements signed in the period 1945–48.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P770007–2198. Limited Official Use. Drafted by Brian G. Crowe (EB/IFD/OMA) and cleared by Atherton.

<sup>2</sup> Iran was indebted to the United States for surplus property (U.S. installations and immovable property transferred to Iran) and Lend-Lease obligations dating from the end of World War II. In 1972, Congress opened an inquiry, led by Chairman of the House Subcommittee on Foreign Operations and Government Information William S. Moorhead, into arrearages owed to the U.S. military by foreign governments, including Iran. Moorhead's report was forwarded to Tehran in telegram 241431, December 10, 1973. (National Archives, RG 84, Tehran Embassy Files, 1973, Box 8, Public Debt, 1973) Efforts to collect on the debts followed, as reported in telegram 18666 to Tehran, January 29, 1974, and telegram 944 from Tehran, February 4, 1974. (Ibid., RG 59, Central Foreign Policy Files, [no film numbers])

<sup>3</sup> Congressman Jack Brooks (D–Texas).



Negotiations have been complicated by the fact that Iran has—since 1974—made payments dependent on negotiation of an Iranian claim against the U.S. Government for damages they say were done to Iranian railways by Allied military forces during World War II. We have stressed that we can see no factual or legal connection between the debt owed to the U.S. (which has been recognized by the GOI and on which payments have been made) and the Iranian claim. Nevertheless, we have given the Iranian claim against the USG careful study. After a good deal of research, we concluded the Iranian claim was groundless. The GOI has submitted only very thin evidence to the contrary. We officially advised the Iranians in detail of our conclusions in June 1976.

Deputy Secretary Robinson raised the matter several times with Finance Minister Ansary in 1976. Largely as a result of his talks, the GOI made a payment of \$1.8 million last October.<sup>4</sup> The GOI noted, however, that future progress would be dependent on negotiation of the Iranian claim against the USG.

*The Options and Recommendations*

Appropriate means we could now take to prompt Iranian reconsideration of the problem and hopefully GOI recognition that forward progress on the debt is in their own best interest are:

1. A letter from you to Finance Minister Ansary (attached).
2. A letter from the Deputy Secretary to Finance Minister Ansary.
3. The Deputy Secretary calling in the Iranian Ambassador.

EB and NEA believe we should act via one of the above options to prevent the arrearage from becoming a major bilateral irritant. Both prefer option 1.

Option 1: (Letter from you to Ansary. Preferred by EB and NEA.)

Option 2: (Letter from Deputy Secretary to Ansary.)

Option 3: (Deputy Secretary calling in Iranian Ambassador.)<sup>5</sup>

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<sup>4</sup> As reported in telegrams 245329 to Tehran and 10537 from Tehran, October 15 and 29, 1975. (Both in National Archives, RG 59, Central Foreign Policy Files, D750358–0149 and D750374–1196) A summary of broader Iranian Lend-Lease issues is in a memorandum from Richard Smith (EB/IFD) to Joseph Greenwald (EB), May 4, 1976. (Ibid., P820026–0942)

<sup>5</sup> Kissinger initialed his disapproval of option 1 and his approval of option 3 on January 7. The attached letter to Ansary was not found.

## 199. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, December 30, 1976, 1634Z.

313328. Subject: SAVAK Activities. Ref: Tehran 12745.<sup>2</sup>

1. FYI: In early November we received FBI report that an Iranian national told New Jersey police, during their investigation of an assault on the Iranian national, that he had been collecting information on the activities of Iranian students and passing this information to individuals who operated the Persian Bazaar and Bookstore in Franklin Lakes, New Jersey. Further police investigation revealed that a Mansur Rafizadeh (presumably the Mansur Rafizadeh who is official at Iranian UN Mission) owned the bookstore. In a later interview with FBI, the Iranian national denied that he collected intelligence information, said he had acted as a "security person" for Rafizadeh during a visit by latter to Chicago, and now worked as a domestic for Rafizadeh.

2. Although these FBI reports are ambiguous, the Secretary believed that Ambassador Zahedi should again be alerted to great sensitivity at this time of operations of foreign security/intelligence organizations in the United States. As you know, press and Congressional interest remains high, Senate and House hearings are likely next year, and CBS "60 Minutes" is planning a program on SAVAK's actions in the United States. ("60 Minutes" recently devoted part of its hourly program to CIA.)

3. Atherton requested Zahedi to call December 23 and made following points: again emphasized necessity for foreign officials not to violate U.S. laws or engage in improper activities; commented that press and Congressional interest has not diminished and it is, therefore, important to avoid even the appearance of improper activities; noted that we had received an FBI report about Mr. Rafizadeh's ownership of the Persian Bazaar and Bookstore and inconclusive report that persons involved in operating this store might be collecting intelligence infor-

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Roger Channel, TS, Tehran I, 1963–1978. Secret; Niact; Immediate; Roger Channel; Special Handling.

<sup>2</sup> In telegram 12745 from Tehran, December 27, Helms reported that at his farewell luncheon, Khalatbari conveyed the Shah's comment on alleged illegal activity by U.S.-based SAVAK officer Mansur Rafizadeh. The Shah asserted that SAVAK was not authorized to act counter to U.S. law, and Iran would reciprocate any action against Rafizadeh. Helms felt that this was no time to have a flare-up with Iran since other issues were "sufficiently testing the 'special relationship' without adding an inflammatory, public brouhaha over possibly ill-advised intelligence activity." He added, "we are very beholden here in the intelligence area and therefore correspondingly vulnerable." (National Archives, RG 59, Central Foreign Policy Files, P84015–0816) Helms left post on December 27.

mation on Iranian students; and recalled provisions of the Foreign Agents Registration Act. In conclusion Atherton emphasized that he was not making accusations. Rather, he said, his comments would be kept confidential and our strong desire was to avoid any friction which could damage our excellent bilateral relations.

4. Zahedi replied that he was 99 percent certain he could deny that Rafizadeh was acting improperly but he would double-check to be certain and let us know. Zahedi informed us on December 27 that bookstore is owned by Mozaffar Rafizadeh, brother of Mansur, and an American citizen and that no kind of political activity whatsoever was directed from the store. End FYI.

5. For Chargé: You should inform Minister of Court Alam that PNG action against Rafizadeh has not been raised or considered by us. However, we had received ambiguous FBI reports concerning alleged collection of intelligence data about Iranian students by persons apparently associated with Rafizadeh and wished to draw this to attention of Iranian Embassy. In view of the particularly close and mutually beneficial relationship between our two countries we want to avoid frictions on such matters and believe that a confidential dialogue will be helpful. That was the spirit and intent of Atherton's comments. We have taken note of Ambassador Zahedi's assurances that our information was incorrect.

**Robinson**

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## 200. Editorial Note

On January 2, 1977, *The Washington Post* published an article by reporter Bob Woodward entitled "IBEX: Deadly Symbol of U.S. Arms Sales Problems." Recalling that IBEX had briefly appeared in the news 5 months earlier when three Rockwell employees from the project were murdered (see Document 186), Woodward reported that the \$500 million electronic surveillance system for Iran's borders embodied the problems that plagued U.S. arms sales to Iran. He cited the use of agents, widespread corruption, and doubts that the system, which employed overly complex equipment, would ever function. According to notes kept by Richard Hallock, a consultant to former Secretary of Defense James R. Schlesinger and later arms purchase adviser to General Toufanian, the Shah lost patience with U.S. officials' malfeasance, cut off meaningful relations with top Pentagon representatives in Iran, spoke dismissively of Secretary of Defense Rumsfeld, and asked Hal-

lock to see that Erich Von Marbod be fired for his advocacy for U.S. defense contractors.

Telegram 64 from Tehran, January 4, reported that Toufanian telephoned Hallock in Von Marbod's presence and denied the allegations. The Shah also refuted the report and asserted that someone was trying to harm U.S.-Iranian relations. Yet Hallock, who initially claimed that his memoranda of conversation had never left his possession, conceded that some of his papers were lost. (National Archives, RG 59, Central Foreign Policy Files, D770003–0123) In a subsequent comment to *Newsweek*, reported in telegram 468 from Tehran, January 17, the Shah reaffirmed his denials and suggested that the notion that IBEX was employing impractical U.S. equipment came from "internal rivalry between some American factions." (Ibid., D770016–1007)

The CIA prepared a paper on the Woodward article for Director of Central Intelligence George Bush, January 4, which contested the article's central arguments that Rockwell had paid agents' fees, that contractors were paid covertly, and that IBEX made use of discarded or overly complex machinery. However, the factual elements of the article, the paper noted, "raise serious security concerns re the possible sources of classified information that are available to him [Woodward]." On the basis of the article, moreover, the Securities and Exchange Commission had requested Rockwell to testify and explain its position. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran (13))

**201. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, January 3, 1977, 0655Z.

1. Eyes Only for Assistant Secretary Atherton. Subj: SAVAK Activities. Ref: (A) State 313328, (B) State 314119.<sup>2</sup>

1. Conveyed exact language of para 5 reftel (A) as amended by para 1(B) reftel (B) to Minister of Court Alam evening December 31. Alam expressed appreciation for clarification of what transpired between you and Zahedi, particularly noting with relief that PNG action had not been raised or considered by US which was contrary to what Zahedi had reported. Also filled Alam in on general background as described reftel (A) leading up to your meeting with Zahedi. Alam was not at all pleased to hear that CBS "60 Minutes" planned a program on SAVAK's actions in the US. He said this was "very bad" but then commented that "I suppose there is nothing you (USG) can do about it." He said that he had been opposed to the last Mike Wallace interview with the Shah but that Zahedi had persuaded the Shah that it was a good idea after having talked with Wallace for several hours before making his recommendation.<sup>3</sup>

2. Evening of January 2 Alam summoned me to his residence to tell me that he had related our December 31 conversation to the Shah. He said that the Shah was satisfied with our explanation but that the Shah had then gone on to say that if this matter became an issue he would not be able to overlook the presence of "70 of your people who are carrying out activities contrary to Iranian law." As a matter of fact, Alam added, "We would not be able to overlook the presence of others whom we do not know about officially." He asked that I make clear the seriousness with which the Shah regards this matter in my report to Washington.

3. Leave to your judgment the question of the accuracy of Zahedi's reporting (Alam said he must have misunderstood) but suggest you

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<sup>1</sup> Source: Department of State, INR/IL Historical Files, Roger Channel, TS, Tehran I, 1963–1978. Secret; Immediate; Roger Channel; Special Handling.

<sup>2</sup> Telegram 313328 is Document 199. In telegram 314119 to Tehran, December 31, 1976, the Department altered the wording of telegram 313328. The first sentence of paragraph 2 was changed to read: "Although these FBI reports are ambiguous, the Secretary believed that Ambassador Zahedi should again be alerted to USG's genuine concern over operations of foreign security/intelligence organizations in the United States." The third sentence of paragraph 5 was amended: "In view of the particularly close and mutually beneficial relationship between our two countries we want to avoid problems on such matters and believe that a continuing dialogue will be helpful." (Department of State, INR/IL Historical Files, Roger Channel, TS, Tehran I, 1963–1978)

<sup>3</sup> See footnote 3, Document 196.

may wish to consider dual approach in Washington and here on subjects of such sensitivity in the future. Zahedi seems to have gotten this one wrong as he has other matters in the past and perhaps unnecessarily exercised our friends here.

4. Since this matter could conceivably be raised by the GOI with the Station Chief here, I felt it wise to fill him in on the exchanges I have had with Alam, asking that he keep it to himself for the time being. You may wish to consider letting his people know in Washington.

Miklos

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**202. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, January 10, 1977, 1310Z.

241. Subj: Human Rights: Second Discussion With MFA. Ref: 76 Tehran 12714.<sup>2</sup>

*Summary:* In second conversation to date on subject of human rights, MFA official made a not very veiled threat that GOI might inspire Iranian press criticism of U.S. on human rights and related questions if USG does not prevail on Congressional and other critics of Iran to stop attacking GOI. ADCM agreed to report this position but expressed immediate personal reaction that such a move, if seriously undertaken, would be doing harm to relations between friends rather than hurting Iran's critics. MFA official did not contest our reaction but was determined to push for more active USG defense of Iran. He thought articles such as recent Woodward exposé in *Washington Post*<sup>3</sup> should not go unanswered by USG. ADCM repeated that criticism is coming from only a minority of U.S. sources and, while important, ought not be exaggerated to point that it caused an over-reaction which would damage U.S.-Iranian friendship. Embassy comments by septel. *End summary.*

1. MFA Fourth Political (American) Department head Hatef invited Acting DCM (PolCouns) to call January 9. Hatef delivered reac-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D770009–0090. Confidential; Exdis; Stadis.

<sup>2</sup> Document 197.

<sup>3</sup> See Document 200.

tion of higher GOI levels to discussion of human rights, military assistance and related subjects which had taken place December 21 (reftel). Hatef had an assistant taking careful notes and indicated first part of his presentation was on instructions.

2. He said higher levels of GOI consider Fraser hearings as a “set up” meant to embarrass the Shah and his government. Witnesses such as Baraheni are given credence in same breath as the Shah, Prime Minister Hoveyda, or other high officials. This is intolerable to Iranians. Iranians have the tradition of honoring one’s father very highly. They consider their King their father and honor him accordingly.

3. People high in GOI believe 95 percent of the articles written on human rights in Iran are baseless, Hatef continued. Many articles rely on testimony of people such as Baraheni,<sup>4</sup> who admits he was happiest in the one year he lived under a Communist regime in Azerbaijan and who supports Azerbaijani separatism. Such articles do not help U.S.-Iranian friendship and understanding. If USG cannot cope with groups attacking Iranians this way,<sup>5</sup> if this is manifestation of freedom of the press, then Iranian press can manifest its “freedom” too. Iranian press can criticize human rights “and such matters” in America. Such information does not appear in the Iranian press at present because GOI prevents it. Its appearance would not help U.S. image in Iran.

4. At this point Hatef noted all he had been saying was on official instructions. Before proceeding to further discussion ADCM noted he would, of course, report this position in full but wished register his own immediate, personal reaction that situations in U.S. and Iran are different, and any action such as that threatened would not meet the problem presented by criticism from U.S. and other Western sources. It would simply exacerbate relations between GOI and USG, who are friends trying to work on the problem together.

5. ADCM then asked what groups Hatef was talking about. It soon became clear that picture was somewhat fuzzy in Hatef’s mind but generally included “the Congress” and the press. He repeatedly pushed for more effective efforts on the part of the U.S. Executive branch to bring criticism to a halt by getting across an image of GOI as both a friendly and an intelligent government. For example, recent Woodward article

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<sup>4</sup> According to telegram 603 from Tehran, January 20, Khalatbari protested the critical interview that dissident Reza Baraheni gave on the David Susskind television talk show and inquired what the U.S. Government would do about these attacks. (National Archives, RG 59, Central Foreign Policy Files, D770021–0924) See also footnote 7, Document 184.

<sup>5</sup> In telegram 551 from Tehran, January 19, the Embassy noted that the Iranian media were paying close attention to the recently announced Amnesty International campaign against Iran. (National Archives, RG 59, Central Foreign Policy Files, D770019–1139)

in *Washington Post* created an impression that U.S. Defense Dept. has written off Iranians as hopeless dolts and pawned off worthless equipment on them. If DOD disagrees with this impression, it should say so publicly and vociferously to Iran's critics.

6. ADCM said he accepted the proposition that more thought could be given to ways in which Embassy and Washington agencies might help influence some American critics with their own more positive understanding of the situation. Iran does not benefit by being associated in Congress or U.S. media with some other countries being criticized for violations of human rights. However, it is very important that GOI recognize need to think harder about ways to present its own image in the many contacts Iran has begun to have with Americans directly, not passing through Embassy or other USG channels. For example, U.S. citizens who may not have been very aware of Iran's existence a few years ago are now more aware due to the sheer size of mutual relations, including such things as large sales of U.S. weapons and many Americans from all parts of the U.S. going to work in Iran and writing home describing their experiences.

7. Hatef brought up recent criticisms of arms sales to Iran. His Majesty the Shah has pointed out Iran does not have the number of weapons countries such as West Germany have. Why is Iran criticized and not Germany? Would conquest of Iran by the Soviet Union mean so little to USG? It is, after all, up to Iran to judge how many weapons it needs to protect itself. Iran cannot count on U.S. intervention to protect it against Soviet aggression. ADCM replied that this was good example of changing relationship between USG and Iran. Just as mutual images between U.S. and Western European countries such as Britain, France, or Germany are created from multiplicity of contacts going well beyond government-to-government relations, so Iran-U.S. relationship is beginning to develop multiplicity of contacts. Iran must be aware of them and of need to present right image on its own. Its position on arms is understood by this Embassy, but Iran must work on presenting it more convincingly and thoroughly to other Americans with whom Iranians come into contact. Occasional press interviews granted by the Shah are useful, but they should be reinforced by more continuing, positive contacts at lower levels. For a related example, fact Iran often does not vote with USG on UN issues has different effect on U.S.-Iran relationship than do the occasions when West Europeans do not vote with us on UN issues. The GOI should be aware of these differences and study ways in which public relations can explain them to the satisfaction of U.S. or other Western audiences.

8. Hatef referred to recent conversation Chargé had with MFA Undersecretary Nassir Assar. Assar had asked for ideas on what Iranians can do to improve their image. Chargé had noted usefulness of GOI,



through additional staff at its Embassy in Washington and otherwise, trying to affect the perceptions of Iran held by more junior Congressmen and Congressional staffs, and by the U.S. press. Respected Iranian academicians such as Dr. Chubin might be utilized to explain Iran to more U.S. audiences. Iran might even consider opening its prison doors for inspection on occasion. Hatef said such suggestions are welcome and asked if there were others. ADCM confirmed his own support for those suggestions and added that GOI might profit by creating some central point of reference to coordinate human rights and related questions, cutting across ministerial lines. Thus priorities might be set as between the understandable needs of security organizations in the country and needs arising from presentation of Iran's image abroad. ADCM agreed with Hatef's point that State Department officers dealing with Iranian affairs could usefully work with the Iranian Embassy in Washington to help present Iran's case on these complicated issues to middle-level USG officials, including those in the Congress. However, impetus must come from GOI, which must organize its efforts with these aims in mind.

9. Discussion ended on continuing friendly note with Hatef and ADCM agreeing that such conversations are most useful in attacking the complicated problems involved. Embassy comment will follow shortly.

**Miklos**

# Iraq

January 1973–December 1974

## 203. Telegram From the Department of State to Selected Diplomatic Posts<sup>1</sup>

Washington, February 10, 1973, 0055Z.

25971. Subj: Detention of Iraqi Jews. Ref: State 20281.<sup>2</sup>

1. Dept has repeated you most recent cables this subject. Following is summary of earlier history, from time problem was first raised with us.

2. On Oct. 30 Israeli EmbOff called to relay information from Israeli Foreign Ministry concerning reports of renewed persecution of Iraqi Jews. According to Israeli reports, some time in late September seven members of Iraqi Jewish community disappeared and another was murdered in his home. Israeli EmbOff said Jewish community now feared Iraqi regime beginning again to persecute them. He asked what USG might be able to do on behalf of Iraqi Jews and recalled behind-the-scenes USG efforts in 1971.<sup>3</sup> We agreed study matter, but pointed out it difficult for USG to do anything directly on behalf of Iraqi Jews. We suggested that Israelis might wish contact other powers, especially French. Israeli EmbOff stated his government already decided to approach Western powers, but wondered if USG might be willing to support these approaches. Same information concerning plight of Iraqi Jews had been conveyed earlier same day by American Jewish Committee with same request for USG assistance. Following consultations

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, SOC 14 IRAQ. Confidential. Drafted by Cochran (NEA) and cleared by Korn (NEA/ARN). Sent to Vienna, London, Geneva, Stockholm, Helsinki, Oslo, Ottawa, Brasilia, Buenos Aires, Mexico City, Caracas, Santiago, Montevideo, Bonn, Canberra, Tel Aviv, Baghdad, USUN, and Beirut.

<sup>2</sup> In telegram 20281 to selected posts, February 2, the Department reported that the Israeli Government had asked for U.S. support of its requests to friendly governments to intervene with Iraq on behalf of the imperiled Iraqi Jewish community, members of which were being arrested. (Ibid.)

<sup>3</sup> See, for example, *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 284.

in Department we told Israeli Embassy we had asked our Embassies in Paris, Madrid, Rome, The Hague and Brussels to inquire of their host governments concerning the current situation of Iraqi Jews and to express U.S. support of Israeli efforts to interest them in the plight of these Jews.<sup>4</sup>

3. In late November, as result our inquiries, Dept was informed that all persons detained had been released. In early December, however, it was reported that these persons had been arrested again, or were perhaps never released, and some additional Jews may have been arrested. Dept then initiated another series of diplomatic efforts to ascertain facts, and request the West European powers to urge the Iraqi Government promptly to release detainees.

4. Recent information concerning status of Jews detained in Baghdad continues to be fragmentary. *New York Times* front page article from Tel Aviv dated February 7 reports "Nine or ten prominent members of the dwindling Jewish community in Iraq have been executed in prison during the past few weeks." This report is in line with Israeli Embassy information cited reftel.

**Rogers**

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<sup>4</sup> See *ibid.*, Document 327.

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## 204. Editorial Note

On February 10, 1973, a large quantity of Soviet arms and ammunition was discovered in the Chancery of the Iraqi Embassy in Islamabad and in the residence of an Iraqi diplomatic officer. The arms and ammunition had entered Pakistan in the Iraqi diplomatic pouch. In response, the Pakistani Government declared the Ambassador of Iraq *persona non grata* and recalled its Ambassador from Baghdad. As the official Pakistani statement noted, the arms appeared to be meant for distribution to "subversive elements." (National Archives, RG 59, Central Files 1970–73, POL 17 IRAQ–PAK)

The Interests Section reported in telegram 72 from Baghdad, February 20, that the most commonly held local view was that the arms were destined for Iranian Baluchistan "as countermeasure to long-standing Iranian military assistance to Kurds." Opinion was divided, however, on whether the Soviets were aware or involved. (*Ibid.*, DEF 12 PAK)

In telegram 1522 from Tehran, March 8, the Embassy conveyed Iranian Deputy Foreign Minister Ahmad Mirfendereski's remark that the incident revealed what could be expected from Vice Chairman of the Iraqi Revolutionary Command Council Saddam Hussein, that "cold-blooded murderer," and his colleagues. The Iranian Government was convinced that the Iraqi arms incident was not only directed against Iran, but was designed to further the historical Soviet objective of a warm water port by encouraging the disintegration of Pakistan. (Ibid., Central Foreign Policy Files)

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**205. Memorandum From the Executive Secretary of the  
Department of State (Eliot) to the President's Assistant for  
National Security Affairs (Kissinger)<sup>1</sup>**

Washington, March 3, 1973.

SUBJECT

Settlement to Iraqi Oil Dispute

Agreement has been reached in Baghdad on terms to end the twelve year old dispute between Iraq and the Iraq Petroleum Company (IPC).<sup>2</sup> The terms, announced on Baghdad radio by President al Bakr, involve payment by the Iraqis of compensation for both the Kirkuk oil-field, nationalized last June,<sup>3</sup> and the concession areas nationalized in 1961. Against this compensation, which is to be paid in oil worth approximately \$300 million, the IPC members will have to balance tax arrears of over \$360 million which they owe the Iraqis. The IPC will also receive approximately \$70 million as repayment of loans previously made to the GOI. Additional compensation will go to the companies in the form of low cost oil to be made available through the Compagnie Francaise des Petroles (CFP) which recently concluded a 10-year purchase contract.

Conclusion of this agreement will remove a major irritant to Iraqi relations with the west, and may open the door to increased western

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iraq, Vol. I. Confidential.

<sup>2</sup> The Interests Section transmitted the details of the IPC-Iraqi agreement in telegram 100 from Baghdad, March 6. (Ibid., RG 59, Central Files 1970-73, PET 15-2 IRAQ)

<sup>3</sup> See *Foreign Relations*, 1969-1976, volume E-4, Documents on Iran and Iraq, 1969-1972, Documents 312, 314, and 316.

commercial activity as well as development of Iraq's large undeveloped oil reserves.<sup>4</sup> The major beneficiary, however, will probably be the French, who have been given a preferred position by the Iraqis; the CFP official who served as mediator for the Iraq Petroleum Company was able at the same time to win large new contracts for his company in addition to its long-term purchase of relatively low cost oil. The American partners in the IPC (Exxon and Mobil) were pointedly snubbed by the Iraqis throughout the negotiations, and although the GOI has been negotiating with a number of American companies to purchase the nationalized oil, it is unlikely that the settlement will create any substantial near-term opportunity to advance American interests in Iraq.

Although we and the companies are pleased to have this dispute finally resolved, the terms of the settlement are not fully satisfactory to the American companies. Those terms, however, were dictated by the European companies who control 75 percent of the company and who were anxious for a settlement in order to protect their access to Iraqi oil. Agreement on participation in the Basra Concession was unreachable, and the companies will have to face another difficult set of negotiations on that subject beginning in October. Moreover, the companies were unable to get commitments of long-term purchases for any sizeable quantities of the nationalized oil, leaving the great bulk of it under Iraqi control. That, plus the marginal level of compensation received, may be difficult for them to explain to Saudi Oil Minister Yamani and the Shah, who have looked upon the Iraqi case as being the test of the companies' readiness to treat their friends better than their enemies. We do not yet know if the advantages to Iraq of its deal are great enough to cause the Shah to dig in his heels on the specific terms of the new arrangements he is now negotiating with the companies, or to cause Yamani to demand redress, but the companies will clearly have some explaining to do.

**Theodore L. Eliot, Jr.**<sup>5</sup>

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<sup>4</sup> The Interests Section sent telegram 111 from Baghdad, March 13, on "Commercial Opportunities in Iraqi Oil Sector" following the conclusion of the agreement. (National Archives, RG 59, Central Foreign Policy Files)

<sup>5</sup> Miller signed for Eliot above this typed signature.

## 206. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, March 27, 1973, 0800Z.

149. Subj: U.S. Policy Toward Iraq.

1. *Summary*: USINT recommendations that Dept approve certain requests for Iraq are based on assessment that conflict taking place within Iraqi regime between extremist elements currently in control of party and security organs and more constructive, realistic elements who want to get on with development. We should condemn or ignore the first, but work to strengthen the latter. *End summary*.

2. Recent messages from USINT (A) recommending favorable response to Iraqi request for air transport for military basketball team;<sup>2</sup> (B) proposing that USG offer a few graduate scholarships;<sup>3</sup> (C) requesting films for Ministry of Irrigation;<sup>4</sup> and (D) providing U.S. firms with suggestions for doing more business here,<sup>5</sup> raise questions about our policy toward Iraq. One of my British colleagues for example, was appalled by thought that USINT would even consider recommending that USG provide transport for basketball team. This message gives rationale behind recommendations.

3. There are two major forces in Iraq today and gap separating them is becoming so wide that one can almost speak of two Iraqs. Their respective policies are sometimes diametrically opposed, e.g. disregard of Western opinion on arrested Jews and effort to promote tourism. Best known Iraq is engaged in subversion, smuggling arms, supporting Black September (at least tacitly) and other extremist groups,<sup>6</sup> inciting armed clashes on Kuwaiti and Iranian borders, and is vociferous in its anti-American propaganda. This Iraq accurately reflects powerful, but small group of Baath Party militants and opportunists, most in their twenties and thirties, who dominate security and party organizations. They came to power through conspiracy and violence, lack experience and formal education, and, since they know little about it, their percep-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret.

<sup>2</sup> Not found.

<sup>3</sup> Telegram 145 from Baghdad, March 26. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

<sup>4</sup> Telegram 103 from Baghdad, March 7. (Ibid.)

<sup>5</sup> Telegram 111 from Baghdad, March 13. See footnote 4, Document 205.

<sup>6</sup> Black September was responsible for both the September 1972 kidnapping and murder of 11 Israeli athletes in the Olympic Village in Munich, Germany and the March 1973 murder of three diplomats, two American and one Belgian, at the Saudi Embassy in Khartoum, Sudan.

tions of outside world usually reflect only their Iraqi experience. Most are true believers in militant opposition to reaction (the monarchy) and imperialism (Israel, IPC and the U.S.) and their support for liberation and socialism (Baath Iraq). There is little U.S. can do to either influence them or get rid of them.

4. The other Iraq, equally nationalistic, is busy carrying out development plans, running INOC and the banks, promoting tourism, trying to reverse brain drain, and working hard for a better life for themselves. It includes the technocrats and no doubt represents majority of population. They do not like arbitrary rule and police state methods of Baath regime but are politically powerless. There are, however, indications that their ability to influence RCC, particularly in economic policy, is on increase.

5. In face of Iraq's recent activities (arms smuggling to Pakistan, attack on Kuwait, boycott against Lebanon,<sup>7</sup> subversion in the Gulf and Yemen, and at least tacit support for Black September), U.S. could condemn GOI, refuse any requests from whatever source, and perhaps even take some hostile actions against Baath regime. Such a policy would be morally confronting [*comforting?*], but in my view, have little chance of bringing about change for better. On contrary, it would probably strengthen extremists since it would confirm their view of U.S. as chief enemy.

6. More realistic way of dealing with dichotomous Iraq, and one which carries some hope for eventually influencing regime toward more constructive policies, is to seize every opportunity that may strengthen constructive elements. We can do this by re-establishing direct official ties where possible, by encouraging more private links, especially in commercial sector, and by responding favorably to requests from those elements who wish to deal with us. At same time, there is no reason why we should not condemn more irresponsible and extremist acts of regime. In short, pursue a highly flexible policy that attempts to deal with both Iraqs.<sup>8</sup>

Lowrie

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<sup>7</sup> Regarding the incident of arms smuggling to Pakistan, see Document 204. For the attack on Kuwait, see Document 210. According to telegram 147 from Baghdad, March 27, Iraq imposed "boycott measures" on Lebanon after the Lebanese Government took control of IPC Lebanon during the Iraqi-IPC negotiations to prevent an Iraqi takeover of the pipeline and terminal on Lebanese territory. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

<sup>8</sup> The Department agreed with this view in telegram 60585 to Baghdad, April 3. (Ibid.) The Embassy in Iran, however, dissented in telegram 2250 from Tehran, April 10, on grounds that the suggested moves were unlikely to work and could cause misunderstanding of U.S. aims toward Iraq in Iran and other moderate states in the region. (Ibid.)

**207. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, March 29, 1973.

**SUBJECT**

Continued Covert Support for the Kurds

In August of last year, acting upon a request from the Shah of Iran, you authorized the initiation of covert cash subsidies and military support to strengthen the Kurds under Mulla Mustafa Barzani thereby preventing consolidation of Ba'thist-controlled Iraq, the principal Soviet client in the Middle East.<sup>2</sup>

CIA reports that more than 1,000 tons of nonattributable arms, medicines and blankets have been supplied (a value of over [*less than 1 line not declassified*] which cost less than [*less than 1 line not declassified*]); our monthly subsidy of [*less than 1 line not declassified*] has enabled Mulla Mustafa to maintain and strengthen a 25,000-man military force; intelligence on Iraq is received from Mulla Mustafa's mountain headquarters [*less than 1 line not declassified*] our support is channeled through the Iranians (who contribute \$4.8 million per year plus unknown arms and services) and has been coordinated in general terms with [*3 lines of text not declassified*].

Mulla Mustafa Barzani is stronger now than at any other time in his 12-year struggle against the Iraqi central government. His strength facilitates his rejection of Iraqi and Soviet blandishments and threats; provides the Shah with a strong buffer force against Iraqi-directed infiltration teams of saboteurs and terrorists; and worries the Baghdad regime, forcing it to deploy almost two-thirds of its ground forces in the north, reducing its capability for offensive adventures.

The Ba'th regime continues to support radical subversion, recently even as far afield as Pakistan. It continues to finance Palestinian terrorist organizations and remains one of the most irreconcilable regimes against negotiated peace with Israel. It threatens to disrupt oil agreements which western companies may be able to negotiate with more moderate governments in the area. It is a regime whose instability we should continue to promote.

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<sup>1</sup> Source: National Security Council, Nixon Intelligence Files, Subject Files, Iraqi Kurds, Box 8, 7 April 1969–12 June 1974. Secret; Sensitive; Eyes Only; Outside System. Sent for action.

<sup>2</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 321 and 322.



CIA proposes that the covert support you approved last year be continued in FY 1974 at about the same level: a monthly cash subsidy of [less than 1 line not declassified] and a medical supply subsidy of [less than 1 line not declassified] plus limited and predictable replacement ordnance estimated at [less than 1 line not declassified] for the year. This totals [less than 1 line not declassified]. The availability of another [less than 1 line not declassified] is recommended for additional ordnance if required because of heavy combat conditions. [6½ lines not declassified] bringing the total cost of the proposal to \$5 million for FY 1974.<sup>3</sup>

*Recommendation:*

That you approve continuation of covert support to the Kurds under Mulla Mustafa Barzani (at [less than 1 line not declassified] plus an additional [less than 1 line not declassified] authorized in case heavy combat requires replacement ordnance), and initiation of complementary political action operations (at [less than 1 line not declassified]) for a total of \$5 million in FY 1974.<sup>4</sup>

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<sup>3</sup> Kissinger deleted a passage from an earlier draft of this memorandum that reads: "CIA believes that its recommended program will keep Iraq weak through viable Kurdish self-autonomy and political divisiveness while creating a climate for indigenous pressures for a modification of Iraq's hostile policies. It would improve our knowledge of Iraqi-Arab political dynamics which should increase our options to exert political influence." (National Security Council, Nixon Intelligence Files, Subject Files, Iraqi Kurds, Box 8, 7 April 1969–12 June 1974)

<sup>4</sup> Nixon initialed his approval of the recommendation on March 29, and a note below his approval indicates that Richard Kennedy was advised on March 30 at 9:35 a.m. On March 30, Kissinger informed the 40 Committee of the decision during a meeting. According to an attached note by Rob Roy Ratliff, he hand-carried the minute of the meeting to the 40 Committee principals for them to read and initial, which each of the four principals did. (National Security Council, Nixon Intelligence Files, 303 Committee, 40 Committee, NSCIC 1969–1974, Box 7, Minutes 1973, 40 Committee Meetings (Approvals) Minutes 1973, RMN)

**208. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, March 31, 1973, 0740Z.

167. Subject: Country Assessment for Iraq. Ref: State 55401.<sup>2</sup>

1. Following assessment is in response to reftel. Department may wish to add to or revise it on basis additional information available in Washington.

2. Political: Iraq, with a population of ten million, is governed by a Revolutionary Command Council consisting of nine civilian and military leaders. The strongest figure is RCC Vice Chairman Saddam Hussein, leader of the civilian wing. Saddam Hussein is the personification of Baathi Iraq: he is young (35), ambitious and ruthless. He has a limited knowledge of the outside world, speaks only Arabic, and is dogmatic in his belief that the "imperialists" led by U.S. are actively seeking to crush "revolutionary" Iraq.

3. The RCC's principal instruments of power are the pervasive and competing intelligence and internal security organs of the Baath Party, the armed forces, and the Ministry of the Interior. The number of Baath Party members is unknown, but is believed to be less than one percent of the population. Although in power for nearly five years, party has retained its secretive, cell-like structure and informer system. Party-military rivalry is a continuing threat and the Baath have attempted to insure the loyalty of the armed forces by giving them favored treatment, carrying out purges, and establishing political commissars. The Baath regime has also succeeded in mobilizing mass support, if not enthusiasm, through tightly controlled labor unions, peasant federations, and party or party front organizations.

4. Baath organizational effectiveness has given Iraq greater political stability than at any time since the pre-1958 era. The only known organized opposition comes from the Kurds who, under the leadership of 70 year old Mustafa Barzani, receive Iranian and Israeli assistance and control a large slice of territory on the northeast frontier. A truce of March 1970 conceded regional autonomy to the Kurds,<sup>3</sup> but the government is unwilling to grant it in practice and the Kurds refuse to

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential; Priority.

<sup>2</sup> In telegram 55401 to posts in the Middle East, March 26, Sisco requested that each post prepare a country summary for the Deputy Secretary's briefing book for the Tehran Chiefs of Mission meeting. (Ibid.)

<sup>3</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 267 and 268.

settle for less. Both sides seem reluctant to renew the fighting and barring new outside interference, the outlook is for a continuing stalemate. Other disaffected groups (Shia Muslims, Christians, and Turcomans) have rarely made common cause with the Kurds or with each other against the dominant Sunni Muslims. On balance, the future of the Baath regime, particularly in view of the encouraging economic prospects, seems bright.

5. Economic: Iraq has great agricultural potential, but oil still accounts for 35 percent of GNP and 90 percent of export earnings. The IPC package settlement of March 1, 1973, resolved all major problems that have troubled relations between Iraq and the Western oil companies for ten years. It has assured Iraq of a rapid increase in oil revenues and given it a flexibility vis-à-vis the USSR and the West that it has not had before. Oil revenue was 900 million dollars in 1971 and is expected to rise to two billion dollars in 1975. For the oil companies, the settlement represents perhaps the last opportunity to ensure their participation in the development of Iraq's huge reserves (estimated at 6 percent of world reserves). The only major Western investment left in Iraq is the Basra Petroleum Co. in which Mobil and Exxon together have 23.75 percent interest. BPC has, as part of package settlement, undertaken to raise production in its concession from 34 MTA in 1972 to 80 MTA in 1975. This will require a new investment of about 150 million dollars.

6. FAO representatives give the Baath regime high marks for effort and resources devoted to the agriculture and irrigation (i.e. 40 percent of the development budget), but are not complimentary about Baath policies such as moves to collective agriculture. In fact, the regime seems to be still in search of an agricultural policy for private holdings exist along side collectives, cooperatives and state farms. In other sectors there are signs of economic pragmatism: nationalization of small industrial enterprises has ceased and some have been returned to their owners; Iraq made some major concessions in achieving the IPC settlement; there is an effort to promote tourism and reverse the brain drain by offering attractive positions to expatriates; and a growing number of non-Baathist technocrats are found in responsible positions. However, for the time being, the regime's radical foreign policies are undercutting the efforts of the pragmatists.

7. Foreign policy: The Baath regime has within the past six months sent arms to opposition elements in Pakistan; engaged in subversive activities in at least three Arab countries; attacked Kuwaiti border posts; called for the Arab League to take direct action against U.S. interests throughout the Middle East; and given financial and political support

to the Palestinian fedayeen,<sup>4</sup> and probably to Black September. In the eyes of the Baath militants these activities are justified in order to promote the Palestinian cause and the defeat of the U.S.-led alliance of Middle East “reactionary” regimes which is trying to dominate the area to secure the supply of oil. The twin pillars of this strategy, in the Baath view, are Iran and Israel, the two countries who have long provided military assistance to the Kurdish dissidents. In addition, Iran has unilaterally abrogated the Shatt al-Arab Treaty of 1937 and seized the Gulf islands which give it a stranglehold on Iraq’s lifeline. The Arab regimes of Saudi Arabia and Jordan, in Baath eyes, are active partners in this alliance and Kuwait has an affinity for it. Iraqi subversive activities have, however, rarely succeeded and her reputation throughout the area is that of dangerous, unpredictable troublemaker.

8. A more serious threat to the area may eventually result from the “strategic alliance” which Iraq claims to have established with the USSR by the April 1972 Friendship Treaty. In fact, this treaty made official what was already a very substantial relationship. The USSR has since 1965 given economic assistance of over 500 million dollars and military assistance of more than a billion dollars, making Iraq the second largest recipient (after Egypt) of Soviet aid in the Near East. Although the Soviets do not seem to be pressing for military facilities, they are concentrating their efforts on certain strategic sectors: the armed forces, oil, irrigation, and development of merchant and fishing fleets. There is considerable evidence to suggest that the Soviets were not pleased with the new lease on life the IPC settlement has given the Western oil companies. The Baath remain wary of Soviet intentions for their most feared domestic enemy is the Communists, who at Soviet urging now have two ministers in the government, but are given no real power.

9. France alone among Western countries has succeeded in developing a close relationship with Iraq by virtue of its pro-Arab foreign policy and reliance on Iraqi oil for which it willing to take investment risks. Other Western countries and Japan are showing renewed interest in Iraqi oil and the Iraqi market now that the legal impediments have been removed by the IPC settlement.

10. The U.S. Interests Section was opened in October 1972 and is staffed by two officers. The American community of about 300 consists almost exclusively of Americans married to Iraqis and their children. Our exports here have been running at about 30 million dollars annually, but a purchase of six Boeing aircraft worth 60 million dollars may soon increase that figure. While USINT officers have been treated cor-

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<sup>4</sup> As reported in telegram 112 from Baghdad, March 13. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

rectly the Iraqi Government has given no evidence of desiring improved relations with the U.S.

Lowrie

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## 209. Memorandum of Conversation<sup>1</sup>

Washington, April 6, 1973.

### SUBJECT

Call on Iraqi Interests Section in Washington

### PARTICIPANTS

Salim Yusuf Mansoor, First Secretary and Head of the Iraqi Interests Section,  
Washington

Edward P. Djerejian, NEA/ARN

Mr. Djerejian called on Salim Mansoor in his office at the Iraqi Interests Section in Washington on April 6.<sup>2</sup> The main purpose of the call was to discuss Mr. Mansoor's request for guidance on the formalities and procedures involved in Iraq signing the Intelsat agreement.<sup>3</sup> Mr. Djerejian gave Mansoor the model text of the Instrument of Accession to the Intergovernmental Agreement and the model text of a full powers authorization enabling the Iraqi Interests Section to sign the operating agreement for the GOI. Mansoor said he will transmit these texts to Baghdad and ask the GOI to prepare a formal Instrument of Accession and full powers signing authorization.

Commenting on his new post, Mr. Mansoor said that he assumed his duties as Chief of the Iraqi Interests Section in February 1973. Prior to that he was Iraq's Consul General in Montreal and between October 1972 and January 1973 he was Chargé d'Affaires of the Iraqi Embassy in

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL 17 IRAQ–US. Confidential. Drafted by Djerejian and cleared by Korn.

<sup>2</sup> Scotes informed Lowrie on January 31 that the Iraqis had, without prior notice, assigned a fourth diplomat, Mansoor, to their Interests Section in Washington. (Ibid., RG 84, Baghdad Post Files: Lot 76D453, Iraq, 1973–75, Box 1, POL 13) In telegram 665 from Baghdad, September 28, 1974, the Interests Section noted that the number of diplomats assigned to the Iraqi Interests Section in Washington had increased to eight. (Ibid., RG 59, Central Foreign Policy Files, D740275–0196)

<sup>3</sup> The International Telecommunications Satellite Organization (Intelsat) was an intergovernmental consortium that owned and managed a series of communications satellites for international broadcasting. By 1973, the system had 80 signatories.

Ottawa. Mansoor said his immediate problem was reorganizing the Interests Section on a more effective basis. His first task was to have the old Iraqi Embassy building where the Interests Section is located repaired and refurbished. Mr. Mansoor showed Mr. Djerejian around the Interests Section which was in a very bad state of neglect. Mansoor estimated that to have the building and the Iraqi Chief of Mission's Residence repaired would cost approximately \$100,000. He said he would be asking Dr. Fakri Qadoori, Head of the Economic Affairs Office of the governing Revolutionary Command Council (RCC) for funds to accomplish this when Qadoori is in Washington next week for meetings at the IBRD. The old Embassy building is valued at \$1 million at present real estate prices, Mansoor said.

Mansoor stated he was pleased to have a visit by a State Department official to the Interests Section and apologized for not having yet paid a call on the State Department. He confided that he has asked Baghdad for approval to call upon the State Department. Mansoor asked whether the Chief of the U.S. Interests Section in Baghdad had access to the Iraqi Foreign Ministry. Mr. Djerejian replied that the Chief of USINT Baghdad did have contacts with the Iraqi Foreign Ministry but that these contacts were largely restricted to the Iraqi Office of Protocol. Mansoor was concerned over the question of reciprocity and whether or not his contacts with U.S. officials would be construed as grounds for reciprocal treatment for the U.S. Interests Section in Baghdad. Mr. Djerejian stated that although we would welcome increased contacts between the GOI and the Head of our Interests Section in Baghdad, any contacts Mr. Mansoor had here in Washington would not be made the basis for U.S. demands for reciprocal treatment of our diplomatic personnel in Baghdad.

Mr. Djerejian stressed the importance of maintaining direct contact and communication between the Iraqi Interests Section and the appropriate State Department officials. We had many matters of mutual interest to discuss, including consular and visa cases, economic trade opportunities and prospects for investments. With the settlement of IPC's dispute with the GOI, the major obstacle to increased economic and commercial contacts between the United States and Iraq had been removed. Accordingly, it was important that a good working relationship be developed between the Interests Section and the USG to handle matters of mutual interest. Mansoor agreed and hoped we could improve our working relationship.

Mansoor asked if our Interests Section in Baghdad had obtained a direct cable address. Mr. Djerejian replied that a direct cable address had been assigned to USINT Baghdad. Mr. Mansoor was pleased at this news and stated that he had asked his Government to reactivate the direct cable address of the Iraqi Interests Section in Washington which

has never, according to Mansoor, been taken away, but has not been used over the last few years. Most of the telegraphic traffic has been channeled through the Indian Embassy in Washington. Mansoor complained that this was an unsatisfactory arrangement and that he preferred to establish direct telegraphic facilities with his Government. He was hopeful that his Government would begin using his direct cable address immediately.

Mr. Djerejian asked Mansoor if he was aware of the possible purchase of Boeing aircraft by the Iraqi Government. Mansoor said he was aware of it but that he had no details. Djerejian filled him in on recent developments and told him that an Iraqi negotiating team of approximately 14 persons would be applying for their visas to go to Seattle, Washington to negotiate the deal. Mansoor was somewhat surprised at this development and asked Djerejian to keep him informed of future developments. Mr. Djerejian said he would be glad to give Mansoor a copy of the names of the persons who had applied for visas.

Concerning the request by the FBI to interview Mr. Saffar, Second Secretary of the Iraqi Interests Section, Washington, about the Jawary case,<sup>4</sup> Mansoor said that he had not received instructions from his Government whether to accede to this request or not. Mr. Djerejian reiterated that the FBI's request was a routine one and that their main purpose in approaching the Iraqi Interests Section was to try to find out any information the Interests Section might have on Jawary, an Iraqi national, implicated in the attempted bombings, apparently by members of the BSO, in the vicinity of three Israeli facilities in New York on March 6. Mr. Djerejian emphasized that neither Mr. Mansoor nor anyone on his staff was obliged to be interviewed by the FBI and that this was a matter for his own discretion. Mr. Mansoor stated he understood this perfectly and that he merely wanted to get his Government's approval before responding to the FBI's request.

Turning to news reports of the murder of an Iraqi, Dr. Basil al-Kubaysi, in Paris on April 6, Mr. Mansoor expressed concern over the safety of Iraqis in Western Europe and the United States. He intimated that perhaps the Israeli intelligence service had singled out Iraqi nationals as targets of assassination. In this respect, he was concerned about his own security in Washington and asked if Mr. Djerejian could inform him of the procedures involved in obtaining a license to carry a personal weapon and whether or not Executive Protection Service

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<sup>4</sup> According to telegram 62782 to Baghdad, April 5, the FBI hoped to interview al-Saffar in connection with its investigation of the recent attempted bombings near three Israeli facilities in New York. The attempts were apparently carried out by members of the Black September Organization. A Federal warrant for arrest had been issued for Khalid al-Jawary, an Iraqi national. (National Archives, RG 84, Baghdad Post Files: Lot 76D453, Iraq, 1973–75, Box 1, POL 13)

could be extended to his mission. Mr. Djerejian replied that he would apprise Mansoor of what the U.S. federal and local laws were on gun licenses and mentioned the Executive Protection Service which has been established in Washington to protect foreign diplomats. Mr. Djerejian said he did not know whether such protection was extended to the personnel of Interests Sections, but that he would find out and inform Mr. Mansoor accordingly. Mansoor expressed appreciation and stated that he would welcome any improved security for his mission.

In this connection, he requested security protection, if possible for Dr. Fakri Qadoori of the RCC, who would be arriving in Washington April 13. Mr. Djerejian said he would relay Mansoor's request to the appropriate State Department officials in an effort to obtain security protection for this high-ranking Iraqi official.

*Comment:* Mansoor, who is a graduate of the College of Medicine at Baghdad University, is an intelligent and articulate man. He seems intent on improving the operation of the Iraqi Interests Section in Washington and seems ready to deal with U.S. officials on a pragmatic basis. He did not hesitate to criticize his own government for not supporting him and the Interests Section logistically and effectively. For example, he was quite distressed that the Iraqi Foreign Ministry had sent him an authorization of full powers signed by President Baqr which was in the name of his predecessor. Mansoor seems determined to establish himself as an effective representative of Iraq and seems to be interested in expanding U.S.-Iraqi contacts in the economic, commercial and cultural fields.



**210. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, April 9, 1973, 1002Z.

191. Subject: Iraq–Kuwait Border Clash.<sup>2</sup>

1. *Summary*: Domestically, Iraq still downplaying border difference with Kuwait, but it now clear that Baath regime considers its territorial demands as vital and justified. Soviets may be pleased, but Iraqis have needed no Soviet instigation thus far. Danger of major escalation seems present. *End summary*.

2. ForMin Abdul Baqi returned Baghdad April 8 from 3 day visit Kuwait. He made short statement that discussions with Kuwait would continue. Iraqi media continue to treat border dispute as routine difference of opinion. Yet it is clear from Iraqi statements elsewhere, Iraqi buildup of Arafat as mediator, and thrust of recent GOI propaganda that territory at stake is of vital importance to Iraq, politically, economically and militarily.

3. It seems certain that March 20 Iraqi attack was planned at highest levels of GOI and that Iraqi objectives go well beyond demarcation of border. In remarkably frank interview with Beirut's weekly *As-Sayyad* (not published here) ForMin Abdul Baqi admitted that problem went deeper than border issue and he denied that any legal document fixing border exists. Abdul Baqi stressed that the two islands (presumably Warba and Boubiyan) "are vital to us. Any force on them could block road to us. How could we become a Gulf state in this case?" He went on to say that Iraqi condition for demarcation of borders is that area of two islands be Iraqi.

4. Iraqi determination to have some kind of control over this area is result of fact that its major port of Basra considered hostage to Iran and only alternative port is Umm Qasr. Umm Qasr is already principal port for receiving military equipment and may soon replace Basra as headquarters Iraqi Navy. Secondly, Iraq plans to construct deep sea oil terminal and most likely site is out in Gulf off Umm Qasr. Pipeline would presumably go through area dominated by Warba and Boubiyan

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential. Repeated to Amman, Beirut, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tripoli, and Cairo.

<sup>2</sup> Iraq attacked two Kuwaiti sea border posts at Umm Qasr and al-Sumtah and seized some Kuwaiti territory on March 20. Documentation is scheduled for publication in *Foreign Relations, 1969–1976*, volume E–9, Documents on Middle East Region; Arabian Peninsula; North Africa, 1973–1976.

Islands.<sup>3</sup> Thirdly, Abdul Baqi was quite honest in saying that Iraq could not be Gulf state without secure port in Gulf.

4. Why now? IPC settlement certainly contributed to Iraqi confidence that it could now move. Secondly, GOI professes to see growing alliance between Saudi Arabia and Iran and fears that Kuwait will soon be drawn in to this "U.S. sponsored alliance of reactionaries."

5. While Iraqi moves may have Soviet support, I believe it is premature to attribute Iraqi actions on border to Soviets. Iraqi objectives described above give, in Iraqi view, more than ample justification and Baath leaders do not need Soviets to tell them where Iraq's vital interests lie. Visit of Soviet Naval Commander in Chief and three Soviet ships at this time certainly seems to signify Soviet support for Iraq's ambitions in Gulf, but it may be that in this instance Baath are cleverly using Soviets rather than vice-versa.

6. Seen from Baghdad, this conflict holds real danger of military escalation involving contiguous states. Iraqis are unlikely to give up demands which, in their view, represent only way of breaking Iranian stranglehold over their access to Gulf.

Lowrie

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<sup>3</sup> See Document 213.

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## 211. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, April 10, 1973, 1213Z.

200. Subj: Baath Anniversary Celebrations and Iraqi Policy.

1. *Summary*: 26th anniversary of founding of Baath Party Apr 7 was occasion for enunciating main themes of Iraqi policy and demonstrating organizational skill and energy of Baath in conducting lectures, rallies, exhibits, speeches, and ribbon cutting ceremonies. Main policy themes were (A) domestic progress; (B) foreign policy successes with Iraq moving to forefront of Arab progressives; (C) failures of "reactionary" enemies; and (D) frustration over Arab inability thus far to hit

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, POL 12 IRAQ. Confidential. Repeated to Amman, Beirut, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tripoli, and Cairo.

U.S. where it hurts. In contrast to rhetoric, recent Iraqi actions are relatively realistic. It will be increasingly important to judge this regime by what it does rather than what it says. *End summary.*

2. Domestic progress was dramatized by lifting of austerity measures, including prohibition on foreign travel, and announcement of new import program and budget. Imports to increase 30 percent this year. Investment budget will total a record one billion dols, two-thirds of which will come from oil revenues. Victory over IPC makes this all possible. Oil revenues expected to more than double by 1975 to two bil dols.

3. Foreign policy themes revolve around success of IPC nationalization which has brought belated recognition of Iraq as leader of progressive Arab front demonstrated by recent financial grants to Egyptians and Palestinians. Alliance with Soviet Union cited as additional source of strength, but not played up. Celebration of first anniversary of Soviet-Iraqi treaty on Apr 9 reported septel.<sup>2</sup>

4. Iraqi successes and dynamism have been matched by failures and evil plotting of its enemies. Iran and Saudi Arabia are well out in front, but U.S. still pulling strings behind scenes. Illustrative articles are "farce of agrarian reform in Iran", student demonstrations in Lebanon and Iran, and exposés on "traitorous conspiracies" of Saudi rulers against PDRY and Iraq, failure to condemn U.S. Phantom deal, and close alliance with Iran, all of which stimulate masses against them.

5. Iraqi media still hitting hard on oil as a weapon against U.S. and deploring failure of Arabs to stop flow of oil to U.S., withdraw funds from U.S. banks, and take overt actions to punish U.S. for supplying more arms to Israel.

6. *Comment:* Baath regime can indeed claim substantial progress in economic sphere. Its radical rhetoric is, however, increasingly at odds with its own more realistic actions. For example: settlement with IPC contained important Iraqi concessions, Iraq itself has taken no actions to use oil wealth as weapon against U.S., on contrary, Iraqi team is about to depart for U.S. to complete details for \$60 mil aircraft purchase. In addition, there is coolness in Iraqi-Soviet relationship. My guess is because of rapidity with which Iraqis have exercised their newly gained maneuverability following IPC settlement. Russia was for example, pressing hard to sell aircraft here. Baath regime is still no friend of U.S. or our friends, but it will be increasingly important in months ahead to judge this regime by what it does rather than what it says.

**Lowrie**

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<sup>2</sup> Document 212.

## 212. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, April 10, 1973, 1230Z.

202. Subj: First Anniversary of Soviet-Iraqi Treaty. Ref: Baghdad 153.<sup>2</sup>

1. *Summary*: Recent events tend to substantiate conclusion that while relationship with Soviet Union remains basic to Iraq, warm comrades-in-arms relationship of just two months ago is changing. For Iraq, Russia is assuming more role of valued supporter, but not close confidante and certainly not leader of joint alliance. There is no longer any talk of Iraq joining COMECON. Anniversary celebrations and Gorshkov visit treated as routine. Iraqi plan to purchase U.S. A/C and cease barter sales of oil indicate Iraqis moving even faster than expected to demonstrate independence. *End summary*.

2. Frank public statement on relations with USSR was made by ForMin Abdul Baqi in recent interview (not published here) with Beirut weekly *As-Sayyad*. When asked if Iraq wanted two Kuwait islands for Soviet fleet, Abdul Baqi said, "Soviets are our friends. They offer valuable aid without strings. We do not accept that the treaty brings Soviets to this area. Soviets have no bases or armies in Iraq. We differ with them on many issues ... we have our national strategy and ideology and they have theirs. We don't discuss our strategy in Gulf with Soviets ... our goal is to preserve Arabism of Gulf."

3. Celebration of first anniversary of Soviet-Iraqi treaty was lackluster, particularly in comparison to joint celebrations of last December. At main celebration Apr 9, principal Iraqi address given by Minister of Health and RCC member Izzat Mustafa. No other ranking Iraqi attended. Mustafa's speech was devoted to generalities, but it did contain statement that "treaty is directed against no one." Same phrase has appeared in several recent editorials. Official *Al-Jumhurriya* said Apr 9 that "treaty is one of friendship and cooperation; it is not a military treaty or a collective defense treaty; it is not directed against any third party; it is based on equal cooperation." Communist weekly

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL IRAQ–USSR. Confidential. Repeated to Amman, Beirut, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tripoli, and Cairo.

<sup>2</sup> In telegram 153 from Baghdad, March 27, the Interests Section suggested that Soviet influence and presence in Iraq was leveling off, as seen in Saddam Hussein's Moscow visit when he was asked for an explanation of the Iraq–IPC accord. (Ibid., Central Foreign Policy Files, [no film number]) Telegram 3178 from Moscow, March 23, reported on Saddam's visit to Moscow, which marked the anniversary of the Iraqi-Soviet treaty of April 9, 1972. (Ibid., Central Files 1970–73, POL 7 IRAQ)

*Al-Fikr-al-Jadid* unrestrained in praise of treaty and said alliance with Soviets necessary to guarantee sovereignty and build socialism and that it had full support of masses.

4. Soviet Naval Commander in Chief Gorshkov's presence for anniversary celebration was seen as something of a snub to GOI since Saddam Hussein had invited top leadership. Only two Communist Ministers attended Soviet Ambassador's reception for the Admiral on Apr 9. Soviet cruiser and two destroyers believed to be visiting Umm Qasr or Basra in conjunction with Admiral's visit. Gorshkov visited Basra, and presumably Umm Qasr, Apr 8 and 9.

5. Some good reasons for Soviet displeasure are Iraqi choice of Boeing A/C over Soviet A/C; large new Western investments expected to follow IPC settlement; and new Iraqi policy that henceforth all oil will be sold for cash, which is of course directed mainly at Communist countries.

6. *Comment*: "Strategic alliance" with Soviets will continue to be, in Iraqi words, "buttress for struggle against imperialism and Zionism" but Iraqis appear to be moving even more rapidly than expected to demonstrate their independence.

7. Re recurring reports of Soviet base or building of base at Umm Qasr, it is my understanding that in judgement of Intelligence Community (NIE 36.2-72)<sup>3</sup> Soviets do not control any military facilities at Umm Qasr or elsewhere and are not building any. If Dept has any new info that indicates otherwise, would appreciate having it.<sup>4</sup>

Lowrie

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<sup>3</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Document 330.

<sup>4</sup> The Department responded in telegram 71762 to Baghdad, April 17, that while the Soviets did not control military facilities in Iraq, "USSR is assisting substantially in development of Umm Qasr as major Iraqi port, and its military and commercial vessels will undoubtedly have access to those facilities. Soviet planes may similarly gain transit rights at certain installations in Iraq. Soviet control or exclusive use of Iraqi port or air facilities not now foreseen as serious possibilities." (National Archives, RG 59, Central Files 1970-73, POL IRAQ-USSR)

## 213. Intelligence Note Prepared in the Bureau of Intelligence and Research<sup>1</sup>

RNAN-20

Washington, April 17, 1973.

### IRAQ-KUWAIT: TWENTIETH CENTURY GEOPOLITICS

Although both sides are seeking to play down their current border dispute, Iraq does not appear inclined to drop its demand for a substantial chunk of Kuwaiti territory.

*Iraqi Demands: "Gunboat Diplomacy."* Although Iraq has periodically pressed its claim to all of Kuwait, based on old Ottoman boundaries, the present dispute arises from a more immediate concern, territorial security. Convinced that its major port of Basrah, located some 60 miles upstream from the mouth of the Shatt al 'Arab River, is vulnerable to Iran, the Iraqis have been building up the port of Umm Qasr as their major naval facility and probably the future site of a new deep-water oil terminal as well. Umm Qasr, which is the only practical alternative to Basrah as a major port, lies north of Kuwait on an estuary. Ships entering this estuary must pass two Kuwaiti islands, Warbah and Bubiyan. In Iraqi eyes, these islands and the adjacent mainland must be under Iraqi control. The situation reached a crisis on March 20 when Iraq seized a Kuwaiti police post at al Samitah and occupied some six to ten square miles of Kuwaiti territory.

*Kuwait Is Running Scared.* Kuwait's minuscule army is no match for Iraq's Soviet-equipped forces. Traditionally, the Kuwaitis have sought security by making generous loans to other Arab states, particularly radicals, to assure that they would oppose Iraqi designs on Kuwait. To the extent that this policy worked, the Kuwaitis avoided having to rely for security on such pariahs as Iran, Saudi Arabia, Jordan, the US, or the UK, which would have aroused the condemnation of Arab radicals, including the large Palestinian segment of Kuwait's own population. In the present crisis, however, the Kuwaitis are worried that other Arab support will not deter the Iraqis. Jordan has offered assistance, but the Kuwaitis are loathe to accept it. The Saudis seem to have been looking the other way when the Kuwaitis approached them, and Iran does not seem anxious to get involved. Kuwaiti overtures to the US, in the context of arms purchases and security assistance, also reflect their alarm. Kuwait has offered to lease the islands to Iraq, but the offer has been refused. Were Kuwait to lose the islands entirely, it would also lose ex-

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, POL 32-1 IRAQ-KUW. Secret; No Foreign Dissem. Drafted by David E. Long (INR/NEA), cleared by Curtis F. Jones (INR/NEA), and approved by David E. Mark (INR/NEA).

tensive offshore territory, including the rights to any oil deposits which might be found there.

*Talk Now, Take Later.* Since the March 20 shootout, the Iraqis have pulled back somewhat and indicated that they are willing to talk quietly with the Kuwaitis on a “compromise.” Iraqi Foreign Minister ‘Abd al Baqi visited Kuwait in early April to discuss the issue. The Arab League has shown interest in mediating the dispute, and Yasir ‘Arafat has also attempted to mediate, probably out of a desire to refurbish his image as a man of reason after being upstaged in recent months by Salah Khalaf of the Black September Organization (BSO). He may also have hoped that his credit in Baghdad was sufficient to secure some moderation of the Iraqi position, in return for which the Kuwaiti Government might be duly appreciative to Fatah. The Kuwaitis for their part are willing to talk but see little area for compromise. As a precautionary measure they have deployed several hundred troops to the islands.

Despite all the talk, however, Iraq seems totally unwilling to back down on its intention to get sovereignty over the two islands. Three Soviet warships currently visiting Iraq no doubt add backbone to its resolve and further alarm Kuwait, although the Soviets do not appear to be participants in what is essentially a local issue. Still, if all negotiations fail and Iraq does seize the islands, the dispute could erupt into a major regional crisis.<sup>2</sup>

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<sup>2</sup> Telegram 1463 from Kuwait, May 1, reported that Iraqi-Kuwaiti negotiations had failed, since Iraq persisted in its territorial claims. (Ibid.) According to telegram 450 from Baghdad, August 26, following the abortive Iraqi coup, Saddam Hussein acknowledged the attack on Kuwait was a mistake, and a State visit to Iraq by the Kuwaiti Prime Minister followed. (Ibid., Central Foreign Policy Files, [no film number])

**214. Letter From the Chief of the Interests Section in Baghdad (Lowrie) to the Director of the Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs, Bureau of Near Eastern and South Asian Affairs (Korn)<sup>1</sup>**

Baghdad, April 30, 1973.

Dear David:

Thank you for the reassuring letter of April 13 concerning Tehran's concern over our diplomatic offensive in Baghdad!<sup>2</sup> Tehran should be comforted by the negative Iraqi position on overflights and the visit of the Regional Geographic Attaché. I read your letter in Beirut on my way to Tehran and because of it felt considerably more confident in discussing Iraq with Ambassador Helms and Co. I think Tehran now accepts that any modest progress we can make here will not cause problems with Iran. This still leaves us on square one with Iraq and, I must admit, that recent Iraqi actions have again made clear their unwillingness to take any action that hints at improved relations. In the circumstances, I believe we have no choice but to back off for the time being.

With regard to terrorism, I do not object to making written *démarches* and pressing them in other ways. There may even be some advantage in requesting their cooperation, for example, in tracing Mr. Jawary.<sup>3</sup> Any refusal to cooperate would be tantamount to an admission of official support for terrorist activities.

I spoke up twice at the Chief-of-Mission conference.<sup>4</sup> The first time to make the point that Iraq was not a principal protagonist in the Arab-Israeli conflict, the conference agenda notwithstanding. I mentioned that Iraq was devoting no substantial resources to the cause, it had no interests at stake, and it seemed to be pursuing a "no risks" policy toward Israel. Iraq should, however, be taken into account in dealing with the problem because its aspirations for Arab leadership and the deep, emotional anti-Israeli sentiment of its leaders mean that it will continue substantial support to Palestinian extremist groups. This

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL IRAQ–US. Secret; Official–Informal.

<sup>2</sup> Not found.

<sup>3</sup> See footnote 4, Document 209.

<sup>4</sup> The NEA Chiefs of Mission Conference was held in Tehran April 23–24. See footnote 6, Document 12.



could certainly have a spoiler effect. In addition, growing Iraqi capability to use the fedayeen against other Arabs may become even more troublesome.

My second intervention followed the presentations of Messers. Helms, Thacher, Stoltzfus, and Crawford, all of whom cited Iraqi-Soviet collusion as a source of regional instability and potentially serious subversion. I attempted to put the USSR-Iraqi relationship in perspective, not by downplaying its importance, but by emphasizing (1) why the Baath regime feels so threatened by Tehran; (2) the still essentially nationalist nature of the regime; (3) its fear and hostility toward the domestic communists; and (4) some of its recent actions that demonstrate its independence from the USSR. I also mentioned that the Baath is quite keen on engaging in subversion and does not need Soviet urging to do so. Furthermore, the Baath would very likely have been more effective if there was Soviet-Iraqi collusion.

The conference was of course tremendously valuable for me. I was most impressed by Mr. Rush and thought he gave us a good idea of Washington, and particularly White House, thinking on such burning regional issues as the use of Arab oil as a weapon. The realpolitik approach may well be correct, but most of us were disappointed that the administration does not feel compelled to “put some light between the U.S. and Israel” (this became the conference cliché) to at least give the moderate Arabs some ammunition to use in defending themselves against the extremists.

I had short private talks with Messers. Helms and Sisco and used them to promote the idea of an Iraqi-Iranian rapprochement. I will be sending in a message very shortly giving the view from Baghdad on this. The possibility of rapprochement has been mentioned to me by the French, Algerian, and Turkish Ambassadors, with the Turk clearly the best informed. He is apparently already playing something of a mediator role. The Algerian Ambassador was quite definite in his statements that the Iraqis want it and that the Soviets would also be pleased. Contrary to the remarks of the Soviet Foreign Ministry official to Embassy Moscow, the Iraqis apparently do not want the USSR involved as intermediary. Our own role would of course have to be completely in the background, but at the right moment perhaps we could have some influence on the Shah. There is real skepticism on my part that the Shah would want a rapprochement since the existence of such an unruly neighbor not only makes him look good, but helps to justify what he wants to do in the way of building up Iran’s military forces. Nevertheless, the Iranian official position is that they are prepared to negotiate their differences with Iraq at any time.

I hope Ed<sup>5</sup> is able to make his trip here in May despite Ray Hunt's gloomy words about travel funds. If not, he should get here as soon as possible in the new financial year.

Best personal regards.

Sincerely,

Arthur L. Lowrie<sup>6</sup>

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<sup>5</sup> Edward Djerejian.

<sup>6</sup> Lowrie signed "Art" above this typed signature.

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## 215. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, May 17, 1973, 0931Z.

266. Subject: Iran–Iraq Negotiations. Ref: Tehran 2915; 2990.<sup>2</sup>

1. *Summary*: Iraqi interest in détente with Iran has been subject of discreet soundings among select Embassies for past two months. Iraq wishes Turkey to be intermediary and Turkey apparently willing to oblige despite obvious difficulties. If way could be found to bring about détente, it could enhance Iraqi political independence, in same way IPC settlement enhanced economic independence. There is real doubt here, however, whether Iran is seriously interested in détente. *End summary*.

2. During past two months I learned from both French and Algerian Ambassadors that high Iraqi officials had hinted to new Turkish Ambassador Nazif Cuhruk that Iraq would like Turkey to be intermediary in exploring possibility of détente with Iran. Algerian Amba-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iraq, Vol. I. Secret; Exdis. Repeated to Ankara, London, and Tehran.

<sup>2</sup> In telegram 2915 from Tehran, April 28, the Embassy alerted the Department that Iranian Foreign Minister Khalatbari had met secretly with Abdul Baqi in Geneva to discuss reestablishing relations, which were ruptured when Iran seized the Gulf islands in 1971. (*Ibid.*, Box 1294, Harold H. Saunders Files, Iran 1/1/73–5/15/73) In telegram 2990 from Tehran, May 1, the Embassy related Khalatbari's report on the negotiations with Abdul Baqi, in which the Gulf islands and the Shatt al-Arab were the sticking points. (*Ibid.*, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973)

sador, who well connected with regime, stressed that time was ripe for détente and that Turkey ideal country to act as intermediary. He also thought Soviets would like to see détente.

3. On April 18 I discussed matter informally with Turkish Ambassador who verified that Iraq apparently serious about détente and said Turkey had already taken some steps to bring parties together. It seems likely, therefore, that Turks helped set up Geneva meeting. Ambassador Cuhruk thought process would be difficult and time consuming but worth Turkey's best efforts. He said Iraqis did not want Soviets to act as intermediary.

4. It is generally agreed that major issue to be resolved is Shatt al-Arab and Iran's unilateral abrogation of 1937 treaty. Baath regime cannot accept abrogation as *fait accompli* because it would mean surrendering Iraqi territory that had been obtained by Nuri Said. Turkish Ambassador suspects Iraq would be willing to agree to new treaty that recognized *de facto* situation, but only if Iran first declared its willingness to rescind unilateral abrogation and negotiate new treaty. With regard to Kurdish problem, which is probably principal reason for Iraq's desire for détente, Turkish Ambassador's feeling is that it better left aside for time being since it is most long standing and intractable bilateral issue. Continuing propaganda and subversion by both sides is other main issue. Moratorium on such activity would be good way for each side to demonstrate its seriousness. Finally, there is general skepticism here that Shah seriously interested in détente with Iraq. Having such a nasty, Soviet-oriented neighbor not only makes him look good, but helps justify his large military expenditures.

5. *Comment:* I believe détente would be in U.S. interest. Iraq is increasingly anxious to get on with economic development and détente would encourage this trend. This is not to say Baath regime would not continue to be anti-American, radically Arab nationalistic, and ambitious to spread Baath doctrine throughout Persian Gulf. It could mean, however, a loosening of ties, particularly military ties, with USSR and further enhancement of Iraq's independence. While any U.S. role in encouraging détente is out of question in Iraq, it may be that at appropriate moment U.S. could influence Shah to meet Iraq's legitimate demands. For example, on question of new Shatt al-Arab treaty, perhaps Shah could be persuaded to negotiate new treaty in secret and if suitable outcome obtained, make announcement on withdrawal of unilateral abrogation concurrently with public signing of new treaty. Shah would get what he wants and Iraq would save face. Any USG interest in this subject is highly sensitive as far as Iraq concerned. Although Abdul Baqi's meeting with Iranian ForMin is already known to some

diplomats here, I intend to discuss this subject only with Turkish Ambassador unless instructed otherwise.

Lowrie

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**216. Memorandum From the Director of the Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs (Korn) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco)<sup>1</sup>**

Washington, May 21, 1973.

SUBJECT

Outstanding Iraqi Military Sales Cases

Prior to the June 1967 war the Iraqi Government ordered a large amount of military equipment from the U.S. and paid for it in advance. As you know, with the outbreak of the war an immediate embargo was placed on the shipment of arms to the Middle East. Iraq, therefore, did not receive many of the ordered items. Since then the Iraqi Interests Section has from time to time sent the Department diplomatic notes concerning the status of these outstanding military sales cases. In the past we have limited ourselves to replies which stated that we were looking into the matter. The last two Iraqi notes, however, were not acknowledged because we wished to express some displeasure over the Iraqi seizure of our Embassy property in 1971.<sup>2</sup> We have now received another Iraqi note on the same subject (Tab B).<sup>3</sup> In view of current attempts to improve U.S.-Iraqi relations whenever the opportunity presents itself, we believe some U.S. acknowledgement is now required.

We have long known that the U.S. Government owes the Iraqi Government \$2,488,277.45 for these unsettled sales cases. We have not over the years, however, informed the Iraqi Government of this specific fact because of several outstanding claims which we have against the Iraqi Government, including damages owed to us for the USIS Library

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, DEF 12–5 IRAQ. Confidential. Drafted by Scotes. Sent through Davies.

<sup>2</sup> See *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1972, Document 290.

<sup>3</sup> Not attached.

in Baghdad burned during the June War as well as for damages sustained by our Basra Consulate during the same period. Moreover, as already mentioned, in 1971 following abortive bilateral negotiations in Baghdad, the Iraqi Government proceeded to seize our Embassy property. At that time the Iraqi Government stated its willingness to negotiate further about this property, and even offered to give us a new plot of land, and to build on it according to our specifications. Our position has been that no negotiations can occur until the property is returned to us.

It is obvious that we have here the makings of at least a partial trade-off between the two governments. We do not believe, however, that the time has yet come for us to begin negotiations with the Iraqis for an overall settlement of outstanding claims. This is something we would want to do when we begin talking with the Iraqis about the reestablishment of diplomatic relations. There might be other circumstances in which we would consider settling our mutual claims, i.e. a marked improvement in relations short of formal diplomatic ties.

We recommend, therefore, that we should answer the most recent Iraqi Interests Section's note (see Tab B) on the subject in a brief non-committal fashion, which could at the same time also signal to the Iraqis that this issue is related to other outstanding matters between the two countries. If we are pressed by subsequent notes, however, we should be prepared to spell out in more detail that 1) we do not believe this matter can be discussed in a vacuum and 2) while acknowledging our debt for the military sales cases, we would prefer to discuss this debt in the context of an overall settlement of outstanding claims.

We have attached at Tab A for your approval the note we propose to send in response to the Iraqi Interests Section's note of April 20.<sup>4</sup>

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<sup>4</sup> Attached but not printed. On the first page of this memorandum are two handwritten notes: Atherton wrote: "JJS—I agree with this scenario and with text of proposed note," and Sisco wrote: "OK JJ Sisco." According to a memorandum for the files, January 18, 1974, the funds were transferred to an interest-bearing account in the Department of the Treasury. (National Archives, RG 84, Baghdad Post Files: Lot 78D61, Iraq, 1973–75, Box 1, ORG 1)

## 217. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, June 24, 1973, 1030Z.

363. Subj: Kurdish Problem and Iran. Ref: Baghdad 329.<sup>2</sup>

1. Communist weekly *Al-Fikr al-Jadid* and KDP *Al Taaxhi* published identical article Jun 23 stating that ICP delegation headed by First Sec of Central Committee Aziz Mohammad had met with Mustafa Barzani at his hdqs on Jun 19. Statement said two parties had concluded that Iraq facing great danger from imperialists and that to meet it required (A) national unity through implementation of Mar 1970 manifesto and safeguarding rights of minorities; and (B) creation of National Front as quickly as possible. *Al-Fikr al-Jadid* commented editorially by praising meeting as new step toward accelerating establishment of National Front and defeating efforts of reactionary elements trying to exploit differences and sowing hatred and doubts among national forces. It called on masses to help bring peace between Baath and KDP.

2. *Comment*: This meeting almost certainly had approval of Baath, who are presumably attempting to use Communist influence within KDP—and their strong interest in formation of National Front—to pressure Barzani to compromise on demands for autonomy. There is, however, increasing evidence of divergence between ICP and Baath over Kurdish issue. Baathist leaders are believed to view Kurdish problem as regime's major remaining weak spot and to be determined to resolve it. London *Observer* correspondent Gavin Young, who recently spent several weeks here at invitation of GOI, said Ministers all stressed their determination to resolve issue and had indicated willingness to reach détente with Iran as necessary to Kurdish settlement. Communist leaders, on other hand, had appeared more relaxed about Kurds and threat from Iran. They cited long Iranian border with USSR which meant USSR could pressure Iran whenever required to protect Iraq.

3. Although many pieces of puzzle obviously missing, it appears that Communists do not want to see Baath resolve Kurdish issue and achieve détente with Iran on their own, since this would further strengthen Baathist power monopoly. If, however, Communists can bring about Kurdish settlement, their price will be greater role in National Front.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential. Repeated to Tehran, Ankara, Beirut, Jidda, Kuwait, London, Moscow, and Paris.

<sup>2</sup> Telegram 329 from Baghdad, June 9, reported that anti-Iranian propaganda had recently ceased in Iraq and that the government appeared determined to achieve détente with Iran as a prerequisite for settling the Kurdish problem. (Ibid., Central Files 1970–73, POL IRAN–IRAQ)

4. French Amb Cerles has report, in addition to that contained in reftel, that Baathists are being told by sources unknown that Shah favors détente with Iraq but Western powers have dissuaded him, presumably to contain “revolutionary” views from spreading. This rumor was given credibility by heavy coverage of CENTO meeting and emphasis on combatting “subversion.”

5. Consensus of diplomats here is that Baath regime is serious in seeking détente with Iran in order to resolve Kurdish problem and concentrate on rapid development of petroleum sector after 10 years of near stagnation. I realize Dept and Embassy Tehran may have info which contradicts some of above. If not, however, I believe it would be helpful in present circumstances if U.S. could let GOI know, perhaps through third party such as Algerian or Turkish Amb, that USG would like to see rapprochement between Iran and Iraq.<sup>3</sup>

**Lowrie**

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<sup>3</sup> The Department replied in telegram 134384, July 10, that the United States would not discourage détente. The United States generally welcomed the reduction of international tensions but, the telegram noted: “We have not, however, any vested interests in the mode or detail of a rapprochement between Iran and Iraq, a matter which we consider to be strictly between the two states directly concerned.” (Ibid., Central Foreign Policy Files, [no film number])

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## **218. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, June 25, 1973, 0910Z.

4475. Subject: Increased Iraq-Soviet Ties.

1. Court Minister Alam, acting on instructions from Shah, presented Ambassador on 23 June with what alleged to be new information about Iraq. Items listed were following:

(A) Iraqi Government has asked Soviets to send experts to help reorganize Iraqi Ministry of Interior and to overhaul governmental administrative system.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret. Repeated to Beirut, Moscow, and Baghdad.

(B) Soviets are planning to hold soon in Baghdad trade union conference with Iraqi trade union officials looking to affiliation between trade union components of both countries.

(C) Soviets have 1,000 technicians and advisors in Iraq.

(D) Iraq Communist Party and Ba'ath Party are to set up coalition government wherein Communists will have Ministerial portfolios as well as Deputies in legislative body.

(E) By early fall of this year Soviets will have given Iraqis four TU-22 aircraft equipped with missiles which have range of up to 100 miles. (Alam comment: Such missiles could reach certain important targets in Iran without the aircraft approaching the national border.)

2. Action requested: Shah would like to know whether or not USG has above information. Therefore would appreciate appraisal from Intelligence Community. No coordinated study is necessary, simply an informed reaction.

3. *Comment:* Shah feels that such developments in Iraq, if they were to come to pass, would justify referring to it as a satellite country of Soviet Union. It somewhat difficult at this point to judge whether or not he simply worries about such an eventuality, really believes it, or is bolstering his case for increased armaments. It probably a bit of all three.

**Helms**

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## 219. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, July 1, 1973, 0815Z.

379. Subject: Iraqi-Soviet Ties. Ref: Tehran 4475.<sup>2</sup>

1. Following are USINT's comments on items listed in para one of reftel. (A) Only agreement we are aware of re Ministry of Interior was concluded with Czechoslovakia in December 1972 (Baghdad 81).<sup>3</sup> As mentioned at time, it was believed Iraqis wanted to profit from Communist experience in this area, particularly technical security items. (B) USINT not aware of specific trade union conference, but Iraqi trade

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret. Repeated to Beirut, Moscow, and Tehran.

<sup>2</sup> Document 218.

<sup>3</sup> Not found.



unions like all other public organizations, including Communist Party, are either directly controlled by Baath or closely watched by them. (C) 1,000 figure for Soviet technicians is as good a guess as any. (D) Communists have in effect accepted Baath dominated National Front for over a year and they have two figurehead Ministers in Cabinet. Additional agreement may have been reached, but this does not necessarily mean Baath is going to permit ICP any more freedom of action. (E) Italians and French both have heard report that Iraq will receive up to one squadron of TU-22 or some type Soviet bomber. Fact remains that Iraqi military forces are no match for those of Iran.<sup>4</sup>

2. *Comment:* There is something of self-fulfilling prophecy to Shah's analysis that Iraq could become Soviet satellite. If Iran resists Iraqi overtures for détente, continues to give military assistance to Kurds, maintains uncompromising position on Shatt al-Arab, and intensified anti-Iraqi propaganda, Baath regime will continue to strike out against Iran through subversion and propaganda and continue to rely on USSR for arms and protection. Other course open to Iran is to meet Iraqi overtures halfway or—as stronger power—slightly more than halfway in order to test Iraqi seriousness about détente.

3. Analysis of best informed Ambassadors—Algerian, Egyptian, French, and Turkish—is remarkably similar. It goes as follows: Baath regime has tried and failed to crush Kurdish movement. It does not want a renewal of wide-scale fighting. It has recognized it has no choice but to give Kurds certain rights and semi-autonomy. Offer falls short of what Kurds want, but it goes well beyond what any previous Baghdad government offered Kurds. Furthermore, no sovereign government could offer much more without granting independence. Kurdish resistance to compromise with Baath would end if Iran stopped its assistance. Détente with Iran is thus necessary to consolidate Baath power.

4. I hope that in responding to Shah's request for info on recent Soviet activities in Iraq, Department will cite extent to which Iraq now turning to West for new economic projects; revival of relations with China; and if possible, recent Iraqi requests to UK and Spain which indicate interest in lessening Soviet influence even in military sphere.

Lowrie

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<sup>4</sup> The Department commented similarly in telegram 129470 to Tehran, July 2, that it could not confirm items A or B and that the Department's sources reckoned the number of Soviet military advisers (item C) to be 500. As to item D, the Department agreed that this development had been a long-time Soviet aim, with few prospects of fulfillment given longstanding Ba'ath-Communist hostility. The Communist Party of Iraq was dissatisfied with the lack of responsibility of the two Communist Ministers without Portfolio. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

## 220. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, July 1, 1973, 1005Z.

373. Subject: Kurdish Bid for USG Support. Ref: Beirut 7351; Baghdad 369.<sup>2</sup>

1. If we are interested in working toward improving relations with Iraq, I believe time has come to disassociate ourselves from Kurdish requests for U.S. military assistance and avoid receiving Kurdish envoys, even for sympathetic hearings.<sup>3</sup> Such a decision could also contribute to our broader interest in regional stability. This recommendation is based on following conclusions:

2. Baath regime, however distasteful to us and most Iraqis, is essentially a nationalist regime, exceedingly jealous of its sovereignty. It has recognized it cannot defeat Kurds militarily and in March 1970 accepted necessity of granting Kurds cultural and other rights. These rights go well beyond what Kurds enjoy in neighboring countries. Neither Baath regime nor any other Iraqi regime is likely to agree to type of autonomy that Barzani demands since to do so would be tantamount to surrendering sovereignty.

3. As long as Barzani receives assistance from Iran and can hope for U.S. assistance, he is unlikely to compromise with Baath. Thus prospect of renewed fighting and diversion of Iraq from economic development remains high. Military operations against Kurds would also be likely to strengthen rather than to weaken Soviet influence. There is also possibility that Kurdish insurgency will spread into Turkey, and

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret; Limdis. Repeated to Amman, Ankara, Beirut, Moscow, and Tehran.

<sup>2</sup> Telegram 7351 from Beirut, June 21, notified the Department that Masoud Barzani and KDP Politburo member Mahmoud Othman had asked whether they could meet with high-level Department officials during their upcoming visit to the United States. The Embassy requested guidance on how to respond. (Ibid.) The Department replied in telegram 122076, June 22, that given U.S. policy not to encourage Kurdish hopes for U.S. assistance, only the Country Director would meet with the Kurdish leaders. (Ibid.) Telegram 369 from Baghdad, June 30, conveyed the response of local press to Barzani's June 24 interview with Jim Hoagland, a *Washington Post* reporter, in which he appealed for U.S. military assistance. (Ibid.) Hoagland's article, "The Kurds Gird For Another War" was published in the June 24 edition of *The Washington Post* (p. C2).

<sup>3</sup> Helms noted in backchannel message 81 to Kennedy, July 7, that Lowrie advocated this position, which some in the Department supported, at "any and all occasions." Helms's concern was "that through some inadvertence USG might make some public utterance" along these lines, with disastrous effect on the region. He added that he had recently visited with Othman and Masoud Barzani, who claimed they were reasonably satisfied with the support they were getting. (Ibid., Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa)

eventually to Iran. I do not know seriousness with which Turkish Government views Kurdish problem, but Turkish Ambassador Cuhruk is intensely interested in all aspects of subject and recent 5-day visit of Turkish Interior Minister is believed to have been partly motivated by concern over Kurds.

4. For better or worse, it is hard to escape conclusion that future of Iraqi Kurds lies with their integration into Iraqi state, albeit with as much autonomy as they can obtain. Only if Iraqi Kurds were to receive massive outside assistance would they be able to achieve real autonomy. Such assistance is unlikely to be forthcoming even from Iran. Furthermore, in terms of regional stability, it is probably preferable that Kurdish independence movement does not succeed.

5. Iranian and Israeli assistance to Kurds has served their purposes, but there is little to suggest it has served interests of Kurdish people, except by keeping alive illusion of eventual independence and winning concessions from Baath regime. Since cessation of fighting in March 1970, however, Kurdistan has, according to scanty info available here, remained a depressed area. It has not shared in economic development and remains something like a state under siege. A recent survey by English ILO expert, indicates that income of Kurdish artisans may be as much as 40 percent below artisans in rest of country.

6. Kurdish problem is of course inextricably linked with Iran's policy toward Iraq. There can be no resolution of problem in Iraq or lasting détente between Iraq and Iran without cessation of Iranian assistance to Kurds. While recognizing overwhelming importance of Iranian policy, I recommend that we make clear to all concerned parties what U.S. policy is. I believe U.S. position should be that Iraqi-Kurdish conflict is strictly Iraqi internal matter in which USG has no intention of becoming involved. This position should be conveyed to Barzani's envoys whenever they attempt to elicit U.S. assistance and also to Iraqi Government, preferably through official note.

**Lowrie**

## 221. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, July 1, 1973, 1130Z.

380. Subj: Abortive Coup.

1. Radio Baghdad announced at 2000 hours July 1 that coup attempt by Director of National Security Nazim Kazar on June 30 had failed. Statement said Kazar and his unknown supporters had invited Minister of Defense, Lt General Hammad Shehab, and Minister of Interior Lt General Saadoun Ghaidan and others to lunch on June 30 with intent to imprison them and then seize control. Plan misfired and Kazar and supporters fled toward Iranian border taking two Ministers with them. They were caught, but not before they killed Shehab and slightly wounded Ghaidan. Radio and TV reading from Koran and Shehab funeral set for 0800 July 2. As of 2300 hours July 1 city appears normal except for heavy security guards around strategic points, many of them party militia.

2. Rumors of coup began circulating early morning of July 1 following reports of shooting during night. Chiefs of Mission, who were at airport for departure of Dutch Ambassador, tied shooting in with fact that President al-Bakr's plane was unaccountably two hours late, arriving at 2000 June 30, on return from State visits to Bulgaria and Poland. Airport reception was unusually modest and neither Shehab nor Ghaidan were present.

3. Many rumors and theories now circulating since few observers give credibility to GOI statements. Pakistani Chargé told me that President's plane had been told to delay landing until all was safe and that AF plane was in air to shoot plane down, but when pilot learned that plot discovered, he fled across border. There is also rumor that several hundred army personnel and Baath militia were killed in clashes on July 1 when militia went to take control of Camp Rashid, largest military installation near Baghdad. Closest thing to confirmation of this is reliable report from British nurse at local hospital that at about 1300 July 1 loudspeaker called for all personnel to stay on duty and all available doctors and nurses were sent to Rashid Military Hospital.

4. *Comment:* While it obviously too early to determine significance these events, certain elements stand out. Generals Shehab and Ghaidan well known as close relatives and supporters of President Bakr. They

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential; Immediate. Repeated Priority to Amman, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tripoli, and Cairo and to Beirut.

are last two military men on RCC, excluding Bakr. Thus plot against them could be seen as next to final act in takeover of complete power by Saddam Hussain and civil wing of Baath; process which included assassination of General Hardan al-Tikriti in March 1971<sup>2</sup> and forced exile of Lt Gen Salah Mahdi Ammash in October 1971. Since Ghaidan apparently only slightly wounded and alleged plotters to be tried, however, this explanation seems unlikely, or else plot badly misfired.

5. It perhaps coincidence that the four Kurdish Ministers were also absent from airport reception for Bakr. Possibility that Kurdish issue involved in this Baath power struggle should not however be ruled out since this has been issue on which military and civilian leaders strongly disagreed in past.

6. As of 0800 July 2 city appears normal except for crowd gathering for Shehab funeral procession.

Lowrie

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<sup>2</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Document 278.

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**222. Backchannel Message From the Ambassador to Iran (Helms) to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Tehran, July 9, 1973, 1550Z.

83. 1. On 6 July, with the Agency COS, I met secretly and at their insistence with Mullah Mustafa Barzani's son Masoud, who is in charge of Kurdish intelligence and with Dr. Mahmoud Uthman, who is Political Secretary of Barzani's Kurdish Democratic Party. Dr. Uthman, accompanied by Mullah Mustafa's other son, Idris, had met with Colonel Kennedy and me in Washington one year ago, when it was de-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Secret; Eyes Only. Kissinger wrote on the first page: "I must have extended private talk with Helms when he is here. Can he stay after Shah leaves?" Scowcroft replied: "Done." Kissinger and Helms met before the Shah's July 24–27 visit; see Document 24.

cided to provide financial and military assistance to Barzani via the Iranians.<sup>2</sup>

2. Speaking in the name of General Barzani, with Uthman translating, Masoud thanked us for the substantial assistance which had been provided during the past year. As a result the Kurds are in a much better position to defend themselves and to maintain an independent posture toward the regime in Baghdad.

3. Dr. Uthman then outlined the situation in Iraq as they see it: A despotic regime which maintains itself in power by terrorizing its political opponents. It has strong Soviet support and has an adventurist foreign policy which threatens Kuwait with invasion and the Gulf Shaykhdoms with subversion. Only the Kurds by reason of their geographical position, independent armed force and unity around Barzani are capable of maintaining an enclave where opponents of the regime can find refuge and organize to replace it. At the very least by maintaining a force in being, the Kurds pin down two-thirds of the Iraqi Army.

4. The truce of March 1970 is due to expire in March 1974. The Kurds believe the Ba'th regime is preparing to initiate hostilities against them, including the use of poison gas, unless they capitulate to Soviet, Ba'th and Communist Party pressure to join with the latter parties in a "National Front", which of course would be dominated by the Ba'th. Once absorbed into the National Front, the Kurdish movement would become very vulnerable to leftist domination, and once disarmed the Kurds would no longer be a major threat to the Ba'th.

5. Dr. Uthman speculated about whether it might not be desirable for the Kurds, instead of leaving the initiative to the Ba'th, to take some offensive action themselves. To do this, however, they would need heavier and more offensive weapons.

6. The Kurdish "Pish Merga" regulars now number 25,000 and the armed reserves number 34,000. This force is well-armed for defense but it is not equipped to mount an offensive outside the Kurdish mountain area. The present level of foreign financial assistance only allows the payment of \$14 a month to Pish Merga troops. Barzani would appreciate any additional help which might be possible to improve standard of living which below what normal Iraqi citizen now getting.

7. Dr. Uthman went on to say they hoped that we had not been annoyed at General Barzani's interview with Jim Hoagland which appeared in the *Washington Post*.<sup>3</sup> The General's appeals for American aid

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<sup>2</sup> See *Foreign Relations*, 1969–1976, volume E-4, Documents on Iran and Iraq, 1969–1972, Documents 313, 315, 318, and 319.

<sup>3</sup> See footnote 2, Document 220.

tended to provide cover for the fact they were already receiving such aid secretly and indirectly. Also, because so few Kurds knew of our assistance, unwitting Kurdish representatives would continue to petition our Embassies and newsmen for American support of Kurdish aspirations.

8. I said that we understood this, and were not upset by it. I complimented them on the degree of secrecy which they had maintained and stressed in strongest terms that any breach in this security would make it impossible for us to continue our assistance. I did not encourage them to hope that it would be possible for us to increase our level of support.

9. On 7 July I sent brief message on above meeting to Dick Kennedy.<sup>4</sup>

10. Warm regards.

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<sup>4</sup>See footnote 3, Document 220. Kissinger replied in backchannel message WH31849 to Helms, July 14, that while the details could be discussed during the Shah's visit, "you should tell your friends of our basically favorable disposition." (National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa)

## 223. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, July 15, 1973, 0900Z.

403. Subj: Post-Coup Assessment. Ref: Baghdad 0393, 0394.<sup>2</sup>

1. *Summary*: Events of past week appear to justify conclusion that position of Bakr and Saddam Hussein is stronger, but Baath Party weakened. Purge underway within party and probably security forces. Army apparently under control. Regime continuing to pursue highly nationalist policies and indicates desire for improved relations with West, perhaps even U.S. *End summary*.

2. Sentencing of Abdul-Khaliq al-Sammarie to life imprisonment and execution of Mohammed Fadhel, members of regional leadership responsible for party control over army, seem to have resulted in unchallenged leadership of Bakr/Saddam combination. Mohammed Fadhel not believed to have had personal following. Sammarie, however, had following throughout Baath. He drove own car, dressed simply, was critical of Baathists who wore London tailored suits (i.e. Saddam) and condemned those who deviated from pure Baathism as interpreted by himself. Real extent of Sammarie's involvement in plot will probably never be known. According to Algerian Ambassador, "hundreds of arrests" have taken place among party members connected with Sammarie. Shake up in security forces resulting in arrests, dismissals, and transfers. No other leaders yet discredited. Labor leader Mohamad Ayesh interrogated, then released.

3. Statement in official release that plot began six months ago places it in crucial stage of IPC negotiations. French Ambassador believes that Sammarie's open opposition to Saddam dates from this time. Negotiators had reached highly favorable agreement just prior to Christmas and then GOI had inexplicably backed off. French Ambassador had gone to see Saddam and this was only meeting he had had in which Saddam was unsure of himself. Saddam had said he could not

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential; Priority. Repeated to Amman, Beirut, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tel Aviv, Tripoli, and Cairo.

<sup>2</sup> In telegram 393 from Baghdad, July 8, the Interests Section concluded from the post-coup arrests and executions that intra-Ba'ath warfare was taking place, and that the winners were likely to inherit a weakened state. (Ibid.) Telegram 394 from Baghdad, July 9, recommended that the Department take advantage of the abortive coup to foster better U.S.-Iraqi relations. (Ibid., Central Foreign Policy Files, P750007-1579) The Department responded in telegram 139801, July 17, that until any changes the regime might adopt had become clear, it would be inopportune for the United States to take an initiative that could be misinterpreted by one of the Ba'athist factions. (Ibid., Central Foreign Policy Files, P750008-0901)



take decision since Baath rule was collegial. Sammarie was singled out at this time as only Baath leader who publicly opposed participation and as probable leader of “leftist” elements (Baghdad 0002 of Jan 1).<sup>3</sup>

4. Since coup attempt regime has pursued strongly nationalist policies of recent months and taken other measures which seem to demonstrate that Bakr and Saddam in full control. All restrictions on foreign travel, with exception of Iran, were removed on July 10.<sup>4</sup> On July 11 Saddam received correspondents of *New York Times*, *Le Monde* and London *Observer* for over four hours.<sup>5</sup> He indicated desire for early rapprochement with UK and to lesser extent with U.S. He stressed that regime would democratize itself to ensure greater participation. At end of interview, he spent hour asking journalists questions on such topics as Iraq’s image in West. On July 11 GOI signed 20 million dollar contract with Japanese firm for construction of microwave network. Purchase of eight new A/C announced July 10 which presumably including five Boeings valued at 55 million dollars. Vice President of Inter-Continental Hotels spent July 12–14 here at invitation of Ministry of Planning, which wants Inter-Continental to build hotel in Basra.

5. On July 8 MinInt LtGen Saadoun Ghaidan sent confidential message to British Home Secretary requesting that he receive medical care in UK for partially paralyzed arm resulting from two bullet wounds he received during coup attempt. British agreed and Ghaidan will leave for UK this week with entourage. In addition, wife and children of President al-Bakr are going to UK on holiday, and two sons of late MinDef Shehab have already returned to studies there. DirGen of RCC Abdul Jalil also visiting UK.

6. Although relations with Communist states remain correct, Communist diplomats have shown some consternation over disappearance of Sammarie. Communist representation at July 14–17 celebrations seems low level and they are receiving little attention in press. Soviet rep expected to be R. Rashidov, candidate member of Politburo from Uzbekistan, but as of July 15 no del from USSR had appeared.

7. *Comment:* If above trends continue it will be important that Western countries take actions to show that such policies are in Iraq’s best interests. For example, Algerian Ambassador believes that when substance of interviews with Western journalists gets back to Iraq

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<sup>3</sup> Telegram 2 from Baghdad is *ibid.*, Central Files 1970–73, PET 15–2 IRAQ.

<sup>4</sup> According to telegram 5313 from Tehran, July 28, travel restrictions were also eased on Iraqi Jews, and many remaining members of the community began to depart through Iran. (*Ibid.*, Central Foreign Policy Files, [no film number])

<sup>5</sup> Telegram 140125 to Baghdad, July 17, advised the Interests Section that the July 13 interview with Saddam Hussein was published in the July 15 editions of the *The New York Times* and *The Washington Post*. (*Ibid.*)

Saddam is going to be branded a “rightest.” Thus he will need some successes to strengthen his position. Détente with Iran, which would give regime greater sense of security and might enable it to resolve Kurdish problem, is of primordial importance. It may even be prerequisite to rapprochement with West since in absence of détente with Iran, it would be difficult for regime to antagonize further Soviet Union, which is still its major protector against external threat.

Lowrie

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**224. Memorandum From Edward P. Djerejian of the Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco)<sup>1</sup>**

Washington, July 20, 1973.

SUBJECT

U.S.-Iraqi Relations

Concerning your recommendation at the staff meeting July 20 on possible tangible steps we may take to respond to recent Iraqi initiatives on improving U.S./Iraqi relations, it may prove useful to arrange a meeting between yourself and Dr. Salim Mansoor, the head of the Iraqi Interests Section in Washington, in order to explore and prepare the groundwork for what may be done.

There have been some definite signs that Iraq may be willing to improve its relations with the West, and specifically with the United States. In brief, some of these are:

- A. The IPC settlement last March;
- B. Increased U.S./Iraqi commercial contacts (e.g. Boeing Aircraft sales negotiations and U.S. oil industry contacts with the Iraqi National Oil Company);
- C. Iraq's more independent stand vis-à-vis the U.S.S.R. as typified by the IPC settlement and Iraq's closing Eastern Communist and Soviet cultural centers in Baghdad;

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL IRAQ–US. Secret. Sent through Atherton.

D. Saddam Hussein's recent significant interviews to Western journalists indicating a willingness to improve relations with the West and specifically with the U.S., and

E. The assignment to Washington of Dr. Mansoor, who is a dynamic and effective diplomat with direct access to the Iraqi leadership.

It would be both timely and opportune for you to convey to Dr. Mansoor that we would welcome an improvement in our relations with Iraq. Specifically, it would be useful to note the progress in our relations at the economic and commercial levels since the IPC agreement last March. Also it would be pertinent to point out that although we have substantive political differences, especially on Middle East issues, we would hope that these differences would not bar progress in our relations at the economic, commercial and cultural levels. In fact, even at the political level we would welcome entering into a dialogue with Iraq on international and regional issues in an effort to bridge our differences, or at least to understand better our respective positions on these issues.

As a small indication of our interest in improving relations, you could tell Mansoor that the Acting Secretary sent the Iraqi Foreign Minister a congratulatory message on the Iraqi National Day celebrations between July 14 and July 17.<sup>2</sup> Also you could take this opportunity to give Mansoor a general briefing on our Middle East policy and how we see recent developments in the area and at the UN. This could be a first step toward entering into a more productive dialogue with the Iraqis.

If you agree to see Dr. Mansoor, I would contact him at the beginning of the week to set up an appointment at the end of the week in order to give Mansoor time to obtain his instructions from Baghdad. Also, with your approval, I would give Mansoor the general gist of what the meeting would be about along the lines outlined above in order not to arouse undue Iraqi suspicions or expectations. We will prepare talking points for the meeting if it is agreed upon.<sup>3</sup>

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<sup>2</sup> The message was transmitted in telegram 139802 to Baghdad, July 17. (Ibid., Central Foreign Policy Files, [no film number])

<sup>3</sup> Sisco initialed his approval. Although no record of a meeting between Mansoor and Sisco was found, Mansoor did meet with Korn on August 13. See Document 228.

**225. Memorandum From Acting Director of Central Intelligence Walters to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, July 26, 1973.

SUBJECT

Kurdish Leadership Request for Assistance from the Shah of Iran

1. The following is an English translation of a request for assistance from General Mulla Mustafa Barzani, President of the Kurdish Democratic Party, to the Shah of Iran at Saadabad Palace, Tehran on 17 July 1973.

2. The Shah of Iran is unaware that we possess this information.

"To His Imperial Majesty, the Shahanshah, Aryamehr, Mohammad Reza Shah Pahlavi<sup>2</sup>

"We are most honored and grateful to your Imperial Majesty for granting us this audience. Your Imperial Majesty has always shown concern for the Kurdish people who for the past 12 years have been suffering from the oppression and racial hostility of successive Iraqi governments. Under your esteemed leadership, Iran has done its best to help us survive the aggressive policy of the Baghdad government. On behalf of the Kurds of Iraq, we wish to express our gratitude and appreciation for your Imperial Majesty's benevolent policy toward us.

"Events have now shown that the Baghdad regime does not intend to implement the terms of the March 1970 agreement by the deadline of 11 March 1974. Consequently, we anticipate the resumption of large scale hostilities against our people, and we fully expect that all possible measures, including the use of non-conventional weapons like poisonous gas, will be used against our population. We feel that the Kurdish people of Iraq must be reinforced if it is to withstand the force of events, and eventually take the initiative against the aggressors.

"A glance at the political structure of Iraq clearly indicates that the Kurdish element in Iraq is both strong and stable, and that it has an overwhelming influence on the course of events in this country. Furthermore, we sense that the importance of the Kurds has now increased. The additional importance is a consequence of the Ba'ath regime's efforts to introduce foreign powers to the area, and its attempts, in coordination with others, to foment discord in the Persian Gulf and the area as a whole including the Indian Ocean and Pakistan.

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<sup>1</sup> Source: National Security Council, Nixon Intelligence Files, Box 8, RMN, Iraq/Kurds, 7 April 1969–12 June 1974. Secret; Sensitive. Kissinger initialed the memorandum.

<sup>2</sup> A note in the margin next to this paragraph reads: "[text not declassified]."

"The Kurdish movement is the only uncontrolled opposition force in Iraq, and with your Imperial Majesty's advice and support it could plan a more significant role in the region's affairs. That role would in turn receive the backing of the vast majority of the Iraqi people who are opposed to the regime. Considering the instability and internal conflicts of the Baghdad regime which has created a process of gradual elimination of the membership as witnessed by recent events, and recalling the regime's lack of popularity with the majority of the population, we can see that with your advice we would be able to work with respectable Arab leaders to change the present regime.

"To try to take the initiative on our side, and play that role, our movement's capability level must be raised from a defensive one to an offensive one, and our financial problems must be solved. We will need the utmost support and sponsoring from your Imperial Majesty's country for the whole thing.

"At this point we believe that full American understanding and backing is essential both for the important role that Iran is playing in the struggle for stability and freedom in the area, and for our cause and that of all the Iraqi people. That support is especially important when we see how clearly and completely the other front has the backing of the Soviet Union, and how hard they are trying to strengthen the influence of the Soviets and of Communism in the area.<sup>3</sup>

"Our people look to your Imperial Majesty as a father and protector, and we are certain that any door that opens to us will have been opened by your efforts. Thus, considering your frequent observation that Iran could not remain neutral to genocide against the Kurds in Iraq, and that the relations between Iran and the Iraqi Kurds should be even deeper than those between Turkey and the Cypriot Turks, we turn to you for protection from those Ba'athi threats which are backed by the Russians. We petition your increased support for our movement in Iraq and beyond. We shall follow your advice, and we have no doubt that your Imperial Majesty will spare no effort on our behalf, and that H.I.M. will take advantage of every opportunity—including the coming visit to the United States.

"We feel confident that any strength added to our movement will be an effective contribution to the struggle for stability, and freedom, and for the expulsion of foreign influence from the region. That, of course, is the struggle which, under your esteemed leadership, Iran is

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<sup>3</sup> According to an attached memorandum for the record, August 1, Kennedy, Saunders, Waller, and Fees met in Kennedy's office on July 31 to discuss the question of more support for the Kurds. Noting that the Kurds [*text not declassified*], Waller proposed [*text not declassified*] doubling present aid and increasing the Kurds' defensive but not offensive capabilities. It was agreed that the CIA would prepare a paper offering the options with recommendations. See Document 227.

courageously leading, and which concerns all states devoted to the success of the struggle for freedom. We wish to make it clear that your Imperial Majesty may speak on our behalf in the United States or anywhere else you might consider expedient. We are prepared to make whatever commitments may be required of us in return for assistance, and those commitments will be undertaken in the way your Imperial Majesty deems advisable.

“Once again we express our gratitude to your Imperial Majesty for everything. We are sure that you do what is best for us. We also wish to express our gratitude to our friend General Nasiri, who has always carried out what you have ordered for our cause with the best of good will.”

**Vernon A. Walters**  
*Lieutenant General, USA*

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## **226. Memorandum of Conversation<sup>1</sup>**

Washington, July 27, 1973.

### **SUBJECT**

U.S. Attitude Toward the Kurds

### **PARTICIPANTS**

Chafiq Qazzaz, Representative of Kurdish Leader Mulla Mustafa Barzani  
Edward Djerejian, Country Officer for Iraq, NEA/ARN

Chafiq Qazzaz, the Representative of Kurdish leader Mulla Mustafa Barzani, paid a call on Mr. Djerejian on July 27 at the State Department. Qazzaz is a resident of the Washington area and has been here for the last 14 years. He plans to return to Kurdistan this Fall to assume an official position in the Kurdish Democratic Party's (KDP) newly created "Office of Information."

Mr. Qazzaz made the following major points: Mulla Mustafa Barzani has no real hope that the Iraqi government will grant the Kurds limited autonomy and a proportional share of political power, economic benefits, and cultural rights along the lines of the March 11, 1970 manifesto. In fact, the approximately \$200,000/month payments by the

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL 13–3 IRAQ. Confidential. Drafted by Djerejian.

Iraqi government to the Kurds for the support of the Pesh Merga border guards and the administrative costs of the KDP have not been paid in recent months. This is another indication of Baghdad's bad faith and the difficulty of arriving at any workable arrangements with the ruling Ba'ath Party of Iraq (BPI). The Kurds are becoming increasingly skeptical over the prospects of reaching any workable arrangements with the BPI for limited but meaningful autonomy and there is a growing tendency among younger Kurds to explore the possibilities of establishing an autonomous state, linked perhaps to Iran.

Iranian support of the Kurdish movement has been continuing, Qazzaz said, but that support is limited. For example, Iranian arms shipments are of a small-scale and of a nature to give the Kurds only a short-term military capability. The Iranians realize that their support for the Kurds has paid off in at least two ways: 1) their northwestern border with Iraq has been defended against encroachments by Iraqi saboteurs and agents and 2) the Kurds have pinned down the Iraqi army in the north. Trade between Iran and Kurdistan has also increased. The Shah no longer fears the establishment of an autonomous Kurdish State in Iraq in terms of possible moves for independence on the part of the Iranian Kurds. Barzani has assured the Shah that a Kurdish autonomous state would be limited to the area of Iraqi Kurdistan.

In any event, many Kurds are now thinking in terms of an autonomous State and are beginning to give up on the idea of a semi-autonomous Kurdish entity within Iraq which is linked to the regime in Baghdad. In fact, a deliberate effort is being made by the KDP to establish "offices" which would be the equivalent of government ministries in order to pave the way for the alternative of an independent Kurdish autonomous state.

The BPI's attempts to create splinter groups within the "Kurdish Revolution" such as the Kurdish Revolutionary Party are doomed to failure, Qazzaz said. Talabani has established his residence in Kurdistan and is on friendly terms with Barzani.

Qazzaz, referring to Barzani's recent interview in the *Washington Post*, asked whether or not the USG has changed its position on the Kurdish question and specifically on U.S. assistance to the Kurds.<sup>2</sup> Mr. Djerejian stated that the USG position remained unchanged. Namely, our position continues to be one of non-involvement. Barzani's interview with Jim Hoagland published in the June 24 *Washington Post* in which he asked for U.S. help either "open or secret" was read with interest. We sympathize with the plight of the Kurds and would not ob-

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<sup>2</sup> See footnote 2, Document 220.

ject to international humanitarian efforts to improve their conditions. It would be preferable if such support was channelled to the Kurds through the Iraqi government, or at least endorsed by that government. Qazzaz asked if there was any improvement in U.S./Iraqi relations. Mr. Djerejian stated that ever since the IPC settlement last March, there has been a definite improvement in U.S./Iraqi relations at the economic and commercial levels. Saddam Hussein al-Takriti's recent interviews with Western journalists in which he indicated an interest in improving Iraq's relations with the West is of interest to us. The USG would welcome an improvement in relations with Iraq, and for that matter with all those countries which broke diplomatic relations with the U.S. at the time of the June, 1967 Arab-Israeli war. Barzani, Qazzaz said, is watching very closely the status of U.S./Iraqi relations in order to know what he can expect or not expect from the U.S. in terms of support. Mr. Djerejian reiterated that our policy was one of non-involvement, and that we considered the Iraqi/Kurdish issue to be an internal matter for the parties themselves to resolve. Qazzaz said that Barzani would welcome U.S. support even if it had to be channelled through Iran. In fact, he was interested in determining whether the U.S. and Iran could join forces in supporting the Kurds in Iraq with a view toward the establishment of an autonomous Kurdish entity in Iraq. Mr. Djerejian commented that we recognized that Iran's role vis-à-vis Iraq and the Kurds was an important factor, but our policy of non-involvement in the Kurdish question extended to Iran, as well as Iraq, which we regard as independent and sovereign states.

Mr. Qazzaz said he would be returning to Kurdistan probably in September, 1973, and asked if he could have another meeting just before his departure. Mr. Djerejian said that he or another member of the Country Directorate would be pleased to meet with Mr. Qazzaz again.<sup>3</sup>

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<sup>3</sup> Qazzaz met with Djerejian and Korn on September 5, warning that Kurdish-Iraqi relations had deteriorated and that while the Ba'ath Party was pressing the KDP to join the National Front, it was also "Arabizing" Kurdish areas prior to a census that would determine the boundaries of an autonomous Kurdish entity. In response to Qazzaz's request for assistance, Korn observed that there had been no change in U.S. policy toward the Kurds, and that any humanitarian aid had to be channeled through Baghdad. He also noted there had been a steady improvement in U.S.-Iraqi economic and commercial relations. (National Archives, RG 59, Central Files 1970-73, POL 13-3 IRAQ)



**227. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, August 7, 1973.

SUBJECT

Options for Consideration Regarding Increased Assistance to the Kurds

1. Based upon your discussions with the Shah of Iran and Ambassador Helms, plus Mulla Mustafa Barzani's personal presentation to our Chief of Station in Tehran in mid-July,<sup>2</sup> both of which concerned Barzani's request for increased assistance, we submit the following options for your consideration in responding to the Kurdish request.

2. *Options:*

We do not wish to encourage Barzani to abandon his present defensive posture. If his forces were to launch offensive operations, Barzani would be embarking upon an extremely risky course of action from his own point of view. He would also require substantial increases in material and financial support going far beyond present levels and which could not be provided without seriously risking the exposure of U.S. involvement. Therefore, we must address the question of being responsive to the Shah's presentation without leading the Kurds to believe that we have moved beyond our basic position of maintaining their defensive capability only. We believe there are four feasible alternatives open to us:

A. *No increase in subsidies*

Merely inform the Shah that we have decided to maintain our current annual subsidy level to the Kurds although we will build up a contingency supply of [*less than 1 line not declassified*] additional arms and ammunition to be readily available if increased fighting occurs. (Funds for this are in our Fiscal 1974 program. See paragraph 4A below.)

B. *A one-time payment* [*less than 1 line not declassified*]

A one-time payment of an additional [*dollar amount not declassified*] would help meet the Kurdish need for additional medical services, educational facilities, and other social services, to which the Shah re-

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<sup>1</sup> Source: Central Intelligence Agency, Executive Registry Files, Job 80M01066A, Box 12, Folder 27. Secret; Sensitive. A note on another copy of this memorandum reads: "Advance copy used for 7/31/73 meeting, Kennedy, Saunders, Waller, Fees, RRR." (National Security Council, Nixon Intelligence Files, Box 8, RMN, Iraq/Kurds, 7 April 1969–12 June 1974) Regarding the July 31 meeting, see footnote 2, Document 225.

<sup>2</sup> See Document 222. Kissinger discussed the Kurdish situation with Helms and the Shah during the Shah's July visit to Washington; see Documents 24, 25, and 27.

ferred. This would mean the addition of a further [*less than 1 line not declassified*] to our Fiscal 1974 program while maintaining our current annual subsidy level. Sustaining our present level of financial subsidy would emphasize to the Kurds that our basic support objectives remain limited and that they are not able to carry us into a heavier commitment which would allow them to launch offensive operations.

*C. Increase our subvention level by 50%*

This would mean an additional [*less than 1 line not declassified*] in FY 1974. The Shah, as well as the Kurds, would probably find this moderately responsive to their requirements and yet it is sufficiently limited to be within the context of our current policy of maintaining the Kurds in a defensive posture. It would, however, mean that we would have raised the basic level of our subvention to the Kurds and it would be difficult to reduce this level in the future.

*D. Double our current subvention level*

This would entail increasing our annual subsidy [*less than 1 line not declassified*]. The Shah would undoubtedly look favorably on such a course of action. We believe, however, that raising our support to this level might encourage Barzani to assume that he could eventually convince the U.S. Government to underwrite the offensive posture he clearly desires.

3. *Recommendation:* On the assumption that a positive response to the Shah's request for additional aid to the Kurds is desirable, we believe that option B, a one-time payment of [*less than 1 line not declassified*] is the best option available. This would not affect a continuation of our subsidy at the current level, yet it would be responsive to both the Shah and the Kurds. If this response is considered insufficient, we would recommend option C, an increase in our subvention level by 50%, as the next best course of action.

4. Regardless of the choice of options exercised concerning the question of an increase in our subsidy to the Kurds, we have two pressing aspects of our already approved Kurdish program for Fiscal 1974 which require your attention at this time:

*A. Request for the release by OMB of [*less than 1 line not declassified*] from FY 1974 funds*

Within our already approved \$5,000,000 program for Kurdish [*less than 1 line not declassified*] operations in Fiscal 1974 we identified [*less than 1 line not declassified*] as a contingency fund for the purchase of ordinance in the event of a sudden outbreak of fighting between the Kurds and Iraqi government forces. Agency stocks of the appropriate ordinance are low [*2½ lines not declassified*]. We have requested OMB to release the [*less than 1 line not declassified*] so we could proceed with the restoration of our stocks, but they have refused to do so. Therefore, we

request your intervention with OMB to obtain the release of the required [less than 1 line not declassified] from FY 1974 funds being held for this purpose.

B. *Request for the authorization of [less than 1 line not declassified] in additional funds from the Agency reserve*

When we began our \$3,000,000 annual subsidy to the Kurds in mid-1972, the monthly total of [less than 1 line not declassified] equalled [less than 1 line not declassified] Iraqi dinars. A recent rise in the cost of the Iraqi dinar, however, will require an additional [less than 1 line not declassified] above the \$3,000,000 already allotted, in order to maintain the subsidy constant at [less than 1 line not declassified] Iraqi dinars per month. We consider it important for our relations with the Kurds not to allow the monthly dinar subsidy to drop below last year's level. We request, therefore, that [less than 1 line not declassified] in additional funds for FY 1974 be approved and subsequently released from the Agency's reserve to cover the increased cost of maintaining our subvention to Barzani at the current level of [less than 1 line not declassified] Iraqi dinars per month.

5. Attached is a progress report on our Kurdish and Iraqi operations to date.<sup>3</sup>

W.E. Colby<sup>4</sup>

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<sup>3</sup> Attached but not printed.

<sup>4</sup> Printed from a copy with this stamped signature and an indication that Colby signed the original.

## 228. Memorandum of Conversation<sup>1</sup>

Washington, August 13, 1973.

### SUBJECT

U.S.-Iraqi Relations

### PARTICIPANTS

Dr. Salim Mansoor, Head of Iraqi Interests Section

Mr. David A. Korn, Country Director, NEA/ARN

Mr. Gregory D. Strong, Political/Economic Officer, NEA/ARN

Dr. Mansoor called at the Department immediately following his return from consultations in Baghdad where he discussed the prospects for improvement in relations between the United States and Iraq following the statements made to Western journalists by Revolutionary Command Council Vice President Saddam Hussein on July 13.<sup>2</sup>

Dr. Mansoor said that with regard to overall political relations, and the possibility of the renewal of diplomatic relations between the United States and Iraq, he had been told that there is no change in Iraq's policy. Before diplomatic and political relations between Iraq and the U.S. can improve, the United States must show some evidence that it is changing its "policy of all-out support for Israel" which is helping Israel to "carry out its aggressive and expansionist policies against the Arab countries." Mansoor said Saddam Hussein's July 13 statement represented nothing new; Iraq has always been ready to improve its relations with the United States when the United States changes its policy.

As regards economic relations, Dr. Mansoor said he was told during his consultations in Baghdad that American companies are welcome to do business in Iraq on the same basis as others. Dr. Mansoor said he was assured that there would be no discrimination against American companies.

Dr. Mansoor said he had also raised with his Foreign Ministry the question of contacts between the two Interests Sections and the respective Foreign Ministries. With regard to contacts between Mr. Lowrie and the Iraqi Foreign Ministry, Dr. Mansoor was told that since it is the Iraqi practice for all such contacts to be made through the Protocol Office, business would continue to be done in Baghdad in this way. However, since this is not the U.S. practice, Dr. Mansoor was told that the

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970-73, POL IRAQ-US. Secret. Drafted by Strong and Korn.

<sup>2</sup> See Document 223 and footnote 5 thereto.

Foreign Ministry had no objection to his dealing directly with the appropriate political or economic offices in the State Department.

Mr. Korn said he was pleased about what Dr. Mansoor had to report regarding economic relations. Mr. Korn said the Department continues to receive frequent inquiries from American firms about doing business with Iraq and that we have encouraged their interest. Mr. Korn said he regretted that Iraq continues to take a negative view in regard to political relations with the United States. Mr. Korn said that U.S. policy is one of seeking peaceful settlement in the Middle East and that the United States will continue its effort in this regard. There is obviously disagreement between the United States and Iraq on the broader aspects of policy in regard to the Arab-Israeli conflict. Mr. Korn said that in view of this it is perhaps best that Iraq and the United States continue to work together in those areas where cooperation can take place, the foremost being, of course, the economic areas.

Dr. Mansoor said that he was under official instructions from his government to inquire about the United States position in regard to Israel's seizure of an Iraqi Airlines plane on August 10,<sup>3</sup> and to request American support for Iraq's complaint in the Security Council. Mr. Korn called Dr. Mansoor's attention to what the Department press spokesman had said about the August 10 incident; Mr. Korn said he thought the press spokesman's remarks were quite clear. Dr. Mansoor said the U.S. should issue a statement "condemning" Israel's action, not just deploring it. Mr. Korn said we consider the Israeli action unjustified and will make this view known in the Security Council debate. He suggested that the Iraqi UN Mission keep in touch with the U.S. Mission during the course of the debate.

Mr. Korn said that during Dr. Mansoor's absence in Baghdad the Department had been queried by the Executive Protective Service as to whether protection for the Iraqi Interests Section and for Dr. Mansoor's residence was still needed. A State Department officer had called Mr. Safar at the Interests Section and asked for his view; since Mr. Safar expressed no opinion one way or the other, we told the EPS that there was no need to continue the protection. Mr. Korn asked if Dr. Mansoor felt differently about this. Dr. Mansoor said Mr. Safar had told him that he had heard from a State Department official that there were "threats to the life of the Iraqi Consul." Mr. Korn promised to look into the matter and to be in touch with Dr. Mansoor.

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<sup>3</sup> On August 10, Israel intercepted an Iraqi Airways flight from Beirut to Baghdad and forced it down on Israeli soil in hopes of seizing members of the Popular Front for the Liberation of Palestine who were reportedly booked on the flight. The plane was detained for 2 hours. The Department of State issued a statement on August 11 that it deplored the incident and was making its views known to Israel. (*The New York Times*, August 11 and 12, 1973)

In closing Mr. Korn said he had a personal request he wanted to make to Dr. Mansoor. An American citizen, Dr. Jacob Shammash of Boston, Mass., had been in touch with the Department regarding the whereabouts of his brother, Shaul Shamash, who was arrested in Baghdad in the fall of 1972. Mr. Korn said he realized that Shaul Shamash is an Iraqi citizen and was not seeking in any way to interfere in Iraq's internal affairs. However, in view of the fact that Dr. Jacob Shammash and other relatives of Shaul Shamash are American citizens, Mr. Korn did want to ask Dr. Mansoor if there was anything he could do to determine the whereabouts of Shaul Shamash. Dr. Mansoor wrote down the name and said he would see what he could find out.

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**229. Backchannel Message From the President's Assistant for National Security Affairs (Kissinger) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, August 16, 1973, 1354Z.

WH31917. Exclusively Eyes Only for Ambassador Helms. As you remember, we discussed with the Shah what more we could do to aid the Kurds.<sup>2</sup> Our interagency review shows the following:

CIA assessment is that Kurds now have sufficient arms to maintain their defensive posture. The Agency needs to replenish its stocks, however, to be certain that additional supplies would be available quickly if tempo of fighting increased substantially. Accordingly, we see options as:

(1) Status quo which would mean CIA stockpiling [*less than 1 line not declassified*] arms against future contingency need and increasing dollar subsidy by [*less than 1 line not declassified*] per month to maintain dinar input at current level.

(2) In addition to (1) above, increase subsidy by 50 per cent.

(3) In addition to (1) above, increase subsidy by about 100 per cent which is essentially Barzani's request.

(4) In addition to (1) above, make one-time [*less than 1 line not declassified*] contribution for economic, social and health services.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa. Top Secret; Sensitive.

<sup>2</sup> See Documents 24, 25, and 27.

Would appreciate your comments on these options and also your checking them with the Shah. The minimum we would propose is a combination of options (1) and (4) but we would be prepared to do more if in your judgment and that of the Shah something additional is warranted. Would appreciate also your ascertaining whether the Shah intends to do more himself.

An urgent response would be helpful.<sup>3</sup>

Warm regards.

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<sup>3</sup> In backchannel message 85, August 17, Helms recommended a combination of options 1 and 2, increasing the cash subsidy by 50 percent. (National Archives, Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa) In backchannel messages 87 and 89 from Tehran, August 21 and 25, Helms reported that the Shah pledged to increase his own subsidy by more than 50 percent and noted that “the increase of our subsidy in response to the Shah’s recommendation is symbolic of our support for the Shah and he likes this reassurance too.” Helms also conveyed the Shah’s feeling that Barzani’s KDP must be kept from joining the Ba’ath–Communist National Front. (Ibid.) In telegram 443 from Baghdad, August 22, the Interests Section reported that the KDP had rejected participation in the National Front unless Baghdad met certain conditions. (Ibid., RG 59, Central Foreign Policy Files, [no film number])

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## 230. Research Study Prepared in the Bureau of Intelligence and Research<sup>1</sup>

RESS–41

Washington, August 23, 1973.

### USSR–IRAQ: THE LINES OF TENSION

Soviet-Iraqi relations since the Iraq Petroleum Company (IPC) settlement in March have been marked by tensions and difficulties. This report examines the Soviet position in Iraq in the light of these problems.

#### *Abstract*

The USSR–Iraq relationship—though viewed by outsiders such as Iran, Pakistan, and Saudi Arabia as a smoothly functioning partnership for radical penetration and subversion—has actually been long subject

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL IRAQ–USSR. Secret; No Foreign Dissem; Controlled Dissem. Drafted by Alexandra U. Johnson (INR/USSR and Eastern Europe), cleared by David E. Mark (Deputy Director, Regional Intelligence), and approved by Martin Packman (Chief, Current Intelligence Staff).

to strains and is now becoming increasingly complicated and frustrating for Moscow. Although the June 30 coup attempt mounted by the Director of Public Security has riveted Iraqi attention upon internal matters, the resultant abatement of bilateral tensions will probably be only temporary, since the fundamental differences which complicated the meshing of Moscow's aims and perceptions with those of Baghdad remain. The Soviet position in Iraq, developed principally as Iraq's chief arms supplier, is always hostage to an unstable internal situation. Moreover, Moscow faces the problem of reconciling its interests in Iraq with its relations with other states in the region. Baghdad, on the other hand, is suspicious of Soviet intentions, in part because of past Soviet efforts to protect Moscow's investment by attempting to induce cooperation among Iraq's squabbling political groupings; it also calculates (correctly) that the USSR's usefulness to many Iraqi regional ambitions is limited.

[Omitted here is the body of the study.]

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**231. Letter From the Chief of the Interests Section in Baghdad (Lowrie) to the Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton)<sup>1</sup>**

Baghdad, September 2, 1973.

Dear Roy:

You can be sure I will take to heart the message in your letter of July 30.<sup>2</sup> I appreciate your taking time to write it.

Events of the past two months have highlighted the crucial importance of the Kurdish issue to the stability of the Iraqi government and its relations with Iran, the USSR, and the West. I was pleased to see that Ed Djerejian's draft cable received wide Department clearances.<sup>3</sup> Ed asked for my opinion on it. I would like to elaborate on several points that I think bear special attention.

1. Closing off the Kurdish option today is not an irrevocable act. Kurdish nationalism is going to survive. The Kurds have in the past and will in the future take assistance from whoever will provide it. It

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<sup>1</sup> Source: National Archives, RG 84, Baghdad Post Files: Lot 76D453, Iraq, 1973–75, Box 1, POL 13. Secret; Official–Informal.

<sup>2</sup> Not found.

<sup>3</sup> Presumably telegram 134384 to Baghdad, July 10. See footnote 3, Document 217.



may be cynical, but it is not unrealistic to say that if the anticipated benefits of a policy of disassociation do not materialize, the option can be re-opened.

2. I agree with those who think increased Kurdish dissidence will weaken and could even cause the downfall of this Baath regime. It does not, in my view, follow that this would be an effective way to counter Soviet influence. The contrary is more likely. The consistency of Soviet policy in this area is well illustrated by the following passage from Dr. Arthur Millsbaugh written in 1946:

“The Soviet government apparently would like a fairly thoroughgoing and exclusive domination over the entire country with access to the Persian Gulf; but Russia’s more concrete and immediate aims are directed at the North, with the idea of making that part of Persia a closed Russian economic preserve. To advance their purposes, *the Soviets want the North to be ‘autonomous,’* and they desire also a ‘friendly’ government at Teheran. By a ‘friendly’ government they mean one that is subservient to Moscow. . . . *Until that end is attained, the Soviet government will not be interested in stability or good government in Persia . . .* They want the kind of government that can be purchased, hoodwinked, or intimidated; but when the government becomes one of pro-Soviet quislings, order will return quickly to the North.”

How much does the present regime serve such Soviet aims and would any likely successor regime serve them better? As you know, I believe this regime is, in best Arab tradition, highly nationalistic and opportunistic. (Its special hatred and fear of the local Communist Party, current lovefeast notwithstanding, is a helpful additional buttress.) The regime’s *actions* since the IPC settlement and particularly since the June 30 abortive coup accurately indicate the independent direction Iraqi policy will take if its domestic problems become manageable. Any likely successor—particularly one that results from yet another attempt to resolve the Kurdish issue by arms—will I think be so weak, divided and unstable that Soviet goals may at last become obtainable. Most observers here agree that the current ICP–Baath coalition has as its primary objective the prevention of an ICP–KDP alliance. The importance of the role of the ICP is, therefore, likely to be in direct ratio to the Kurdish danger. I believe the same is true of the role of the USSR, particularly in the military assistance field, although noone should expect it to be reduced below the level of solid mutual interests.

3. The Iraqi Kurds—whatever their individual merits—are a negative force. I have talked to noone who considers them capable of, or interested in, the constructive work of building and governing. Fighting is another matter. It may be that the most important motive behind the recent incidents was they were itching for some action. (A Belgian engineer resident in Sulaimaniya tells me the going price for a paid killer there is 25 dinars.) For this and the obvious social divisions, the Kurds

can succeed in bringing down Baghdad governments, but they should not be expected to help replace it with anything durable.

[Omitted here are personal remarks.]

Warm personal regards to you and all the family.

Sincerely,

Arthur L. Lowrie<sup>4</sup>

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<sup>4</sup> Lowrie signed "Art" above this typed signature.

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## 232. Memorandum Prepared in the Central Intelligence Agency<sup>1</sup>

Washington, September 5, 1973.

### SUBJECT

Some Notes on Iraqi Politics

The attached paper provides some of the facts about the Iraqi political structure as it stood before the recent coup attempt. The paper, however, is pretty bare bones; moreover, the structure itself is being revamped in the wake of the failure of the coup. So the usefulness of this information is limited. Unfortunately, we are not in a position to elucidate much more on Iraqi political dynamics. We can, however, offer a few notes that may be helpful in feeling the atmosphere in Baghdad.

First, *the level of political violence is very high*. This has been a tradition in Iraqi politics; the "interest groups" in Iraq have never been able to work out relations that did not involve physical intimidation of their rivals and opponents. The Baathist regime has used violence systematically since its 1968 coup, and Saddam al-Tikriti, who now poses as the "good guy" of the regime, has been the pre-eminent practitioner. Iraqi politics at this point are politics of repression, with the various levels of the Baath Party structure acting as "committees of public safety" to pinpoint the regime's enemies so that the Baath Party militia and the secu-

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<sup>1</sup> Source: Central Intelligence Agency, Executive Registry Files, Job 80M01048A, Box 3, Folder 33. Secret. On September 6, Colby's Special Assistant Sam Hoskinson forwarded this memorandum to Saunders, who had requested it, and to Clements and Colby. In his covering memorandum to Colby, Hoskinson stated that the attached paper "was tailor-made for the NSC staff. It reflects substantial inputs from OCI, ONE, and DDO."

rity apparatus can keep them cowed. This has been effective; Iraqis seem to feel that potential opponents, including those in the army, are “frozen.”

It follows from this that *the present government has no significant constituency* outside the Baath Party adherents. We do not believe that the new National Front will amount to much more than a paper organization, with the Communists being allowed to occupy some committee seats and receiving the privilege of not being beaten up for a change. In return, the Communists presumably might supply some of the constituency, at least in the cities, that the Baath lacks. We are sceptical that this works with the Communists; the Kurds clearly are steering away from such an arrangement—and the reports of military action against them may reflect a stick-and-carrot effort by the Baathists.

*The present government is also very thin in administrative talent.* There are some brilliant exceptions to this generalization, but they are only a handful—Saddam Hammadi, the top oil man, is one. Successive coups and purges since 1958 have practically eliminated the group of educated Iraqis—originally not large—who had both some experience of the outside world and some gift for leadership. The effects of this situation are almost certainly being felt in the military as well as in the civilian bureaucracy. One is reminded, with differences in scale of course, of the situation in Russia in the 1920's. The present “turn to the West” may reflect some consciousness that Iraq badly needs more administrative and technical skills, as well as some more friends abroad.

Finally, and most frustratingly for the analysts, *the most recent coup attempt remains mysterious*, both as to its real source and to its motivation. We have a strong feeling that if we could sort out who tried to do what to whom and why, we would have a very good key to current political dynamics. We still suspect that Saddam was somewhere behind it or at least knew of it; if so the executions that followed were efforts to silence other participants who knew too much. Moreover, if we suspect this, so very likely does President Bakr; if this is correct, then the tension between him and Saddam must be very high indeed, and Bakr must be looking to his associates in the army for support as well as for some opportunity to “get” Saddam if this could be done. Bakr, however, is a weak individual, probably sick, and he does not command strong support, although he “represents” the army. In this respect, he has been and continues to be useful to Saddam.

We are left then, with a situation that is stable in the sense that virtually all the Baath's opponents, except the Kurds, have been terrorized or neutralized, but also with a structure that is unstable in terms of the relations between people at the top and which rests on violence to maintain the leadership's position with respect to the people at the

bottom or outside the structure. This is not a happy situation nor a happy government for the US to try to do business with.

## Attachment

### Intelligence Report<sup>2</sup>

OCI-2331/73

Washington, September 5, 1973.

#### SUBJECT

Iraq—A Political Study

This paper deals in brief with the Iraqi political system—its background, structure, and conflicts. It reviews some of the predominant political forces in the country and some of the recent political changes that have been set in motion.

*Background*—Modern Iraq is a case study of military involvement in the political life of a country. The Iraq Army had the dubious honor of introducing the military coup to the modern Arab political scene in 1936. In the decade and a half since the coup in 1958 that toppled the monarchy and established a de jure republic but a de facto dictatorship, Iraq has experienced four distinct changes in regime, ten coups d'état or attempted coups, and at least 14 cabinets with an average longevity of less than a year. In virtually every instance, the military was involved to some extent, and was often the prime mover.

The military revolution in 1958 altered the entire complexion of Iraqi politics and government. It virtually eliminated the upper class "old guard" and placed the government in the hands of more radical officers drawn primarily from the lower middle class and lacking political training and experience. Violence became an even more prominent feature in the struggle for power. The ensuing uncertainty and lack of direction has resulted in an increasing concentration of political power in the hands of a few men.

The current regime, which seized power in 1968, is an alliance of moderate officers and the socialist Baath Party. It has substituted one-party government for one-man rule, but like its predecessors, is inherently unstable. If it differs in any appreciable way it is in the tenacity with which it clings to power—confounding the many political observers who expected it to tear itself apart long ago. The recent coup attempt has tended to unify competing forces within the regime, tempo-

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<sup>2</sup> Secret; [handling restriction not declassified].

rarily at least, and has accelerated the trend toward a further consolidation of power.

*The Dynamics of the Regime*

Iraq is nominally a constitutional republic, but in fact power is concentrated in the office of the president, the 15-member Revolutionary Command Council (RCC), and the leadership of the Baath Party—the only legitimate political party in Iraq. There are no popular elections per se, although there are intra-party elections. In the aftermath of the recent coup attempt, the RCC seems to be moving toward the establishment of a National Council which will have at least symbolic legislative functions. It will be appointed by the RCC, however, and presumably will be responsive to the present leadership. (See annex for discussion of the structure of government.)<sup>3</sup>

The principal actors in Iraqi politics include:

—The military, and particularly the 90,000-man army, which is the mainstay of any Iraqi regime. The army is the self-appointed “custodian of the national interest” and as such can impose its will on any government. In the current scene, however, the army has remained aloof from the political turmoil in the wake of the abortive coup attempt. The army per se apparently was not involved, although individual soldiers may have been, along with the internal security forces. The army’s interests are represented in both the RCC and the Regional Command of the Baath Party.

—The ruling Baath Party, a secular political institution with an involved, if somewhat vague, left-wing socio-political philosophy. Its credo appeals to the educated middle class elite more than to the less sophisticated peasants and workers. Like the Communist Party, it has a tradition of clandestine activity and maintains a highly compartmentalized structure composed of cells, sections, and branches. The entire structure (defined in party terms as a “region” of the Arab “nation”) is directed by a 7-man Regional Command. Baath members tend to combine informally into “civilian” and “military” wings; rivalries between the two are a source of friction.

—Other political parties. Although they are technically proscribed, the government apparently sanctions the numerically small but influential Communist Party and the Kurdish Democratic Party as long as they cooperate with the regime and maintain a low profile.

—The Kurds, who make up about 30 percent of the Iraqi population. They are concentrated in the northern mountains and are in a chronic state of revolt. They are part of the some 5–6 million Kurds lo-

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<sup>3</sup> The annex is not printed. It is available in the CIA Electronic Reading Room under the date of August 3, 1973.

cated in contiguous areas of Iraq, Iran, Syria, and Turkey. Their ultimate goal is an independent Kurdish state, but the Iraqi Kurds will settle, for the moment at least, for autonomy within a unified Iraqi state as long as they also share in the central government. The Bakr regime by an agreement signed in March 1970, promised autonomy to the Kurds by March 1974. Recently the government has begun to hedge on this commitment. Persistent rumors of sharp clashes between the Kurds and government forces remain unconfirmed, but the Kurds reportedly expect further serious fighting. The Kurds have token representation in the national government, and the Kurdish Democratic Party headed by Barzani has been invited by both the Baathist and the Communists to join in a national front government. Barzani, highly suspicious of the motives of both groups, remains aloof in his mountain fastness.

The two most influential leaders are President Bakr and Saddam Husayn Tikriti, Vice Chairman of the RCC and Deputy Chairman of the Regional Command of the Baath Party. In addition to his role as chief of state, Bakr serves as his own prime minister and assumed the defense portfolio following the death of General Shihab during the June 30 coup attempt. Bakr's health is not good, however, and there is some question as to how vigorously he can exercise the powers of his office. Although there is no stipulated presidential term, he presumably may be removed by action of the RCC. Tikriti has been described by some political observers as the "strong man" of the regime—a shrewd, ruthless operator adept at keeping his opponents off balance. Certainly he played a key role in putting down the recent coup attempt, although some suspect he may also have had a hand in planning it. Tikriti has played a more prominent public role in recent weeks through public appearances, announcements, and press conferences and has engaged in important meetings with foreign representatives. Bakr and Tikriti, sometimes viewed as potential rivals, appear for the present at least, to be working together to consolidate their power and to unify the country. They are also probably purging suspected disloyal elements from the Baath Party, the government, and the security forces.

*Point of conflict*—Personalities, social philosophies, and ethnic differences, rather than political, social, or economic issues per se, underlie the various political groupings and power blocs in Iraq.

Within the Baath Party government itself, there appear to be no basic policy differences, but there are varying degrees of emphasis among individuals and groups jockeying for position. President Bakr, as a former army general, is often identified with the so-called "military wing" of the party and Saddam Husayn Tikriti, the Deputy Chairman of the Revolutionary Command Council is generally viewed as the head of the party's "civilian wing." But here also the differences are

largely personalities rather than issues. The recent coup attempt brought yet another apparent faction—or perhaps subfaction of the civilian wing—into the open. Again it was largely a case of personalities rather than basic issues, although the individuals behind the coup attempt apparently favored greater Iraqi participation in the Arab-Israeli conflict and a more aggressive program against the Kurds.

The general climate among intellectuals, traditional politicians, and the general public seems to be one of discontent with the regime. But as long as the Baath maintains the loyalty and control of the military—and as long as its reputation for dealing harshly with dissenters keeps potential opponents cowed—its unpopularity is not likely to affect its tenure.

The recent Baath decision to join with the Communist Party in a “national front”—a development which the bulk of the Communists have long sought—again points to the lack of major contentious issues between the two groups. As long as the Baath Party remains pro-USSR and continues to wage an “anti-imperialist” campaign, the Communists probably will lend open support. The Communist line on US strategy in the Middle East is identical with the views of the Baath. The Communist Party of Iraq probably will press the regime to improve domestic living conditions, to increase economic and cultural cooperation with the socialist bloc, to take decisive measures against domestic reactionary elements, to call for a more vigorous policy in fighting “imperialism, zionism, and reaction” and to solve the Kurdish issue on the basis of autonomy, but differences with the government on these issues are of degree rather than principle.

The Communist Party itself is divided on the extent to which it should cooperate with the Baath Government, and the regime’s record of arrests and suppression suggests that some Communist concern is justified. There are currently three ostensible Communist representatives in the 29-member cabinet; one of these at least has been disavowed by the party, however, and only one of the three holds a portfolio. This number probably will increase if and when a national front government is established.

The Kurds, with about 20 percent of the population, are a significant power bloc with military strength to back up their demands. Although there are currently five nominal Kurds on the cabinet, only four of them are in any way affiliated with the Kurdish movement—the other is a member of the Communist Party—and none has been given an important ministerial post.

The Kurds have very specific differences with the Baath Party and the government, but the points at issue are parochial rather than national in scope. Kurdish demands include:

—Autonomy for the area under Kurdish jurisdiction with a regional president, council, and legislature. Authority to pass regional laws, assess taxes, and approve regional economic plans.

—Kurdish representation in the national assembly or council proportionate to the size of the Kurdish population.

—A proportionate share of the national budget and development expenditures.

The Kurds, who remain on the defensive both militarily and politically, have thus far rejected all invitations to join a national front government with the Baath and Communist Parties.

The Kurds themselves are not without dissension. Although Mulla Mustafa Barzani is the acknowledged leader of the bulk of the Kurdish minority, several thousand broke away from the parent body several years ago and have aligned themselves with the Baath Government. Factionalism, however, is not a serious concern of the Kurdish Democratic Party.

Other political forces to be reckoned with include inter-communal, inter-tribal and class friction resulting from the predominant role being played by the Sunni Muslim minority in a country with a distinct Shiite Muslim majority.

### *Prospects*

The current regime under the leadership of Bakr and Tikriti has made little progress in solving Iraq's basic national problems and remains insecure. Nevertheless, it has weathered the recent coup attempt and is working to undergird its power position. It is going through the motions of restructuring party and government institutions, although this is likely to be merely a change in facade, leaving the government no more responsible or responsive than before. Tikriti has indicated that he intends to democratize the government, but bona fide elections appear to be out of the question in the foreseeable future. Meanwhile, questionable elements are reportedly being purged from positions of influence.

The main potential threat to the regime is from as yet unidentified opponents within its own ranks, or from the military. The track record of the Bakr regime suggests that no significant shift in the power balance is to be expected as long as Bakr and Tikriti—and as long as the party's military and civilian wings—continue to cooperate reasonably well. These alliances could come unstuck under the pressure of outside circumstances however. Major new trouble with the Kurds, for example, could shake the regime.

An irreconcilable split in party ranks could prompt the army to step in once again. Given the lack of popular support for the regime and its vulnerability to coup attempts, key army officers such as the



commanders of the Baghdad Garrison and the Republican Guards Brigade assume a particular importance far beyond their ranks. As in the past, a military coup probably would only perpetuate the existing system albeit under stronger military influence.

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**233. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, September 6, 1973.

SUBJECT

Increased Assistance to the Kurds

The Shah of Iran, during his recent visit, raised the question of additional support for the Kurds in their efforts to prevent consolidation of Ba'thist-controlled Iraq, the principal Soviet client in the Middle East. Similar soundings have been made by Mulla Mustafa Barzani.

You will recall that you initiated financial and military support to the Kurds in August 1972 in response to an appeal from the Shah. The Shah said he was impressed by the material aid we have supplied—arms, ammunition, blankets, medical supplies, plus a monthly cash subsidy of [*less than 1 line not declassified*]. Barzani has been strengthened by this support, and the Ba'th regime's proclivity for offensive adventures weakened.

Following the abortive coup in Baghdad on 30 June, an attempt has been made to form a national front government. The Kurds have resisted efforts to force them to join although the alternative is a threat of an all-out military attack against them. The Kurds lost a direct Iraqi subsidy in 1972 (which prompted the first request for aid to which you responded) and now face loss of an indirect monthly subsidy of \$1.125 million which Baghdad pays for the salaries of Kurdish border guards and police and for civil services in Kurdistan. In anticipation of this loss, Barzani appeals for all subsidies (ours, Iran's, [*less than 1 line not declassified*]) to double.

You have authorized for FY 1974 monthly subsidies of [*less than 1 line not declassified*] cash and [*less than 1 line not declassified*] medical sup-

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<sup>1</sup> Source: National Security Council, Nixon Intelligence Files, Subject Files, Box 8, Iraqi Kurds, 7 April 1969–12 June 1974. Secret; Sensitive; Eyes Only; Outside System. Sent for action. A stamped notation on the memorandum indicates the President saw it.

plies, [less than 1 line not declassified] for ordnance, and an additional [less than 1 line not declassified] for ordnance as a contingency in case of an outbreak of fighting. OMB has been holding the [less than 1 line not declassified] interpreting your approval to mean it should be used only if fighting breaks out. However, CIA reports that its stocks of foreign arms and ammunition are low and that considerable lead time is necessary to acquire such ordnance; therefore, it needs the money now in order to have supplies on hand in case of need. In addition, inflation has affected the rate at which we purchase Iraqi dinars to maintain the monthly cash subsidy [less than 1 line not declassified]. In order for this subsidy to remain constant, CIA will require an additional [dollar amount not declassified] this fiscal year which will increase the total commitment to the Kurds and for related political action operations in FY 1974 [less than 1 line not declassified].

These moves will prepare for contingencies and maintain the status quo but will not be responsive to Barzani's appeal for additional aid. He will not be aware of our expenditure for stockpiling arms for fear it would encourage him to launch offensive operations. The Shah believes that a substantial increase in the monthly cash payment to Barzani is urgently needed, especially to enable him to pay more adequate salaries to regular troops. The Shah indicated that he would increase his own cash subsidy (which the Kurds report amounts to about \$444,444 per month) by 50% and provide additional arms and supplies.

Ambassador Helms' views substantiate those of the Shah. He favors an increase in our cash subsidy over a one-time payment for educational and social needs as being more responsive to Barzani's needs and providing us a larger measure of continuing leverage to ensure that Barzani maintains a defensive posture. He recommends that we increase our cash subsidy by 50% which, allowing for inflation, will require an additional [dollar amount not declassified] for FY 1974.

We may wish to try to avoid the impression of a long-term escalating commitment by telling Barzani that we will provide these additional funds for this year on a monthly basis, but in any event would emphasize that we share the Shah's view regarding maintenance of the defensive posture of the Kurds.

#### *Recommendations*

That you approve:

—Release from the CIA reserve of the [dollar amount not declassified] you previously approved for stockpiling ordnance in case of heavy combat.

—An additional [dollar amount not declassified] from the CIA reserve in order to maintain the current level of the monthly subsidy.

—An additional [*dollar amount not declassified*] from the CIA reserve to increase the cash subsidy by 50% for FY 1974.<sup>2</sup>

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<sup>2</sup> Nixon initialed his approval of the recommendations on September 6. Ratliff showed a memorandum advising of the President's action to Clements, Moorer, Porter, and Colby on September 7, which all signed. (Ibid.)

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## 234. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>

Washington, October 4, 1973, 1748Z.

197541. Subj: TU-22 Bombers in Iraq. Ref: Tehran 6982.<sup>2</sup>

1. You may confirm to the Shah and Prime Minister that as of Sept. 24 the USSR has delivered 14 rpt 14 TU-22 (Blinder) medium bombers to Iraq. This is the first export of this aircraft to non-Soviet forces. It is understood that this is the result of an agreement reached in early 1973 between the two countries. It is further understood that Iraqi pilots have received training in these aircraft in the USSR since mid-summer.

2. Following data on TU-22's may be useful to you: aircraft entered service in 1962. It has supersonic dash capability of Mach 1.8 and combat ceiling of 47,600 ft. Bomb load is 6,600 lb.

3. It is possible that the deal may have originated in the summer of 1972, after the Soviets were expelled from Egypt. At that time the Soviets made a special effort to court Syria and Iraq, and as a result Iraq signed a treaty of friendship and cooperation with the USSR; it seems safe to assume that as a result of signing this treaty Iraq got promises of new arms deliveries from the USSR.

4. It should be noted that Iraq's attitude toward the West and toward its neighbors has changed considerably in the meantime. Iraq has improved its relations with Western Europe considerably, has begun trading again with US firms (two large contracts for Boeing Aircraft and with Brown and Root for an oil terminal, have been signed re-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iran, Vol. V, May–December 1973. Secret; Niact; Immediate; Exdis. Drafted by Miklos and Morton (NEA/IRN); cleared in INR, EUR, NEA, and DOD/ISA; and approved by Davies.

<sup>2</sup> See footnote 2, Document 36.

cently) and has moderated its position with regards to its immediate neighbors, Kuwait in particular.

5. We recognize, however, that Iraqi policy has been erratic and that TU-22's and other recent Soviet arms deliveries give Iraq added military potential. We will accordingly be keeping situation under careful review.

Rush

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**235. Memorandum Prepared in the Office of Current Intelligence,  
Central Intelligence Agency<sup>1</sup>**

OCI 2346-73

Washington, October 4, 1973.

SUBJECT

Iraq: Genesis and Assessment of the 30 June Abortive Coup and on-going Instability

The abortive coup on 30 June and persistent signs of instability since then signify a deep power struggle within the Baath Party regime headed by President al-Bakr and party chief Saddam Husayn Tikriti. Infighting has been the hallmark of the regime virtually since the Baath took over in its own right in 1968, but it appears to have become particularly intense in recent months.

Although ideological differences may lie at the base of the power struggle, they are not as important as the personalities. We have no clear fix on precisely who is leading the opposition, nor how powerful they are. But the regime is clearly nervous. It has tried to win broad popular support by easing restrictions and making promises of democratization, and has combined these with harsh suppression of known opponents. It has also tried to gather support through a national front to which the Iraqi Communist Party has adhered, and it is also trying to remove the difficulties that it faces from the Kurdish nationalist movement, urging the Kurds to join the front.

Bakr, representing military interests, and Saddam Husayn, representing the civilian element of the party, have been in strong competi-

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<sup>1</sup> Source: Central Intelligence Agency, DI/OCI Files, Job 79T00861A, Box 23, Folder 8. Secret; [handling restrictions not declassified]. A routing slip to Hoskinson indicates that Kissinger requested this material, which was prepared by [text not declassified].

tion in the past, but they have been working closely since June to restore a semblance of stability and unity within the country—and also in the interest of mutual survival.

Both Bakr and Saddam Husayn have been running scared, especially since the abortive coup. The extraordinary security measures in Baghdad this past week, including a curfew and airport and border closure, and widespread house-to-house search, are probably part of the continuing power struggle, although they were keyed to a recent rash of brutal murders in Baghdad.<sup>2</sup> The most recent searches and seizures were carried out by police under the Ministry of Interior rather than by the army, as has been the practice in the past. Saddam Husayn evidently wants to keep the army out of the struggle. The original coup attempt in June involved primarily security forces under Security Chief Nazim Kazzar, with only a few junior army officers attached to him picked up in the post-coup dragnet.

The efforts of the past three months have failed to clear up the problem. Pamphlets attacking the regime are circulating. One of these calls for the return to power of General Salah Mahdi Ammash, until recently the Iraqi Ambassador to the USSR, and Abd-al-Karim al-Shaykhly, a former Iraqi foreign minister now a member of the Iraqi delegation to the UN. The pamphlet also called upon the cadre of the Baath Party to “correct the deviation” which has taken place within the party. These pamphlets have brought the power struggle more into public view.

Meanwhile, a side effect of the power struggle has been a slight opening of windows to the West, particularly in commercial matters. We think this is a sign that the regime hopes both to divert attention from domestic difficulties and to broaden its support. What this means as far as the US is concerned is not yet clear. There is no evidence that this situation will produce any major breakthrough in Iraq-US relations; a major deviation from Iraq's alignment with the USSR also seems unlikely. Indeed, Iraq's recent acquisition of supersonic medium bombers underlines Iraqi dependence on Moscow.

All things considered, caution is dictated in dealing with Iraq; the basic problems of a country ridden with political and religious factions are likely to persist and to plague its foreign relations whatever the particular coloration of the government of the day.

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<sup>2</sup> Telegram 492 from Baghdad, September 16, discussed the uncertain internal situation in Iraq. A series of murders in middle-class neighborhoods had added to the unease caused by widespread dismissals from the bureaucracy, the Ba'ath Party purge, increasing Kurdish intransigence, and the growing role of the ICP. (National Archives, RG 59, Central Foreign Policy Files, [no film number]) Telegram 525 from Baghdad, September 30, reported that the Ba'ath civil militia had made a house-to-house canvass of most neighborhoods to track down the assassins, who were assumed to be the remnants of Kazzar's secret network. (Ibid.)

## 236. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, October 8, 1973, 0957Z.

545. Subject: Iraqi Actions in Support of War Against Israel.<sup>2</sup>

1. Although I have only radio accounts to go by, principal Iraqi action in support of Egypt and Syria against Israel are nationalization of Exxon and Mobil portion of BPC; decision not to export oil to U.S. and urging others to do same; public offer to Iran for rapprochement;<sup>3</sup> and public admission that 12 Hawker-Hunters are in Egypt to engage the enemy.

2. These actions show considerable ingenuity in exploiting war situation to serve Iraqi interests. Given Iraq's isolation from other Arabs and the battlefields, a dramatic act was required to demonstrate its continuing role as avant garde revolutionary. Nationalization of last remaining U.S. investment was natural choice given regime's conviction that Israel's strength and militancy are result of U.S. backing. Partial nationalization is not new idea and Dept will recall it was raised as possibility just prior to IPC settlement. Even though compensation promised, it is doubtful regime is aware of possible adverse consequences nationalization can have on commercial dealings with U.S. Ban on oil exports to U.S. fits in same category, but has little practical importance in immediate future.

3. Regime's offer of rapprochement with Iran in name of Muslim solidarity and in order to devote full energies to battle confirms, in my view, that Iraq has been working hard for rapprochement but was unable to make new moves without losing face in view of Iranian disinterestedness and disdainful public utterance of Shah about Baghdad regime. Real reason for seeking rapprochement remains that it is prerequisite to resolving Kurdish problem.

4. *Comment:* With possible exception nationalization, which hard pressed Baath regime probably saw as political imperative, GOI has

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Confidential; Priority.

<sup>2</sup> On October 6, Egypt and Syria attacked Israel in a bid to recover territory seized by Israel during the 1967 war.

<sup>3</sup> In telegram 7124 from Tehran, October 8, the Embassy reported that Iraq had requested re-establishment of relations with Iran. The Ministry of Foreign Affairs had accepted the request on condition that Iraqi-Iranian differences be settled according to the norms of international law. (National Archives, RG 59, Central Foreign Policy Files, [no film number]) According to Intelligence Information Cable 53788, October 11, the Shah felt obliged to accept the Iraqi proposal to avoid criticism for intransigence or for hindering Iraq's efforts to assist Syria and Egypt in their war with Israel. (Ibid., Nixon Presidential Materials, Box 1295, Harold H. Saunders Files, Iran 5/16/73–12/31/73)

taken no actions I am aware of that damage its own interests. Given clear indications we have had during past two months of Iraqi desire for American technology and equipment, I recommend Dept delay taking any irrevocable position on Exxon/Mobil nationalization until full facts known. BPC rep will obtain decree and implementing instructions Oct 8.

Lowrie

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**237. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of State Kissinger<sup>1</sup>**

Tehran, October 16, 1973, 0930Z.

104. Ref: WH32502.<sup>2</sup>

1. Morning of October 16 consulted with Shah via Court Minister Alam on contents of ref. Shah feels strongly, as do I, that it would be mistake to ask Kurds to take action which would induce strong Iraqi military effort against them. We have armed Kurds for defensive purposes and their forces are in no sense equipped to come out of their mountain terrain and attack on the plains. If they were to get chewed up militarily, it would deprive the Shah of his “Kurdish card” and he does not want to see that. Further, do not believe that Kurdish military adventure would do much to relieve pressure on Israelis in Syria.<sup>3</sup>

2. New subject: Delivered contents of WH32501 to Alam for Shah morning of October 15.<sup>4</sup> Shah’s only comment was that he has been

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<sup>1</sup> Source: National Archives, RG 59, Records of Henry Kissinger, 1973–1977, Lot 91D414, Box 3. Secret; Sensitive; Eyes Only; Immediate. Sent with the instruction to deliver at opening of business October 16.

<sup>2</sup> In backchannel message WH32502, October 15, Kissinger sent Helms a message from Barzani’s headquarters asking the administration’s view of an Israeli suggestion that the Kurds try to gain territories in Kurdistan while Iraq was busy with the war. Kissinger requested Helms’s personal judgment on the matter, as well as the Shah’s. (Ibid., Nixon Presidential Materials, NSC Files, Box 425, Backchannel Files, 1973, Middle East/Africa)

<sup>3</sup> Kissinger replied in backchannel message WH32507, October 16, concurring with Helms’s and the Shah’s judgment and noting that the Department of State would advise Barzani accordingly. (Ibid.)

<sup>4</sup> Document 40.

warning for some time of effect in area if Soviet arms were to be decisive in another military victory.

3. Warm regards.

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**238. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, November 4, 1973, 0830Z.

596. Subject: Post War Assessment of Iraq and Policy Recommendations.

1. *Summary*: On eve of Arab-Israeli war Iraqi regime was estranged from most Arabs and Iran, engaged in bitter intra-party struggle for power, faced with possible new war against Kurds, and involved in marriage of convenience with Communist Party which Communists skillfully exploiting. Only on economic front were things going well and regime no doubt hoped prosperity would resolve problems. War has not removed underlying causes of instability. At most regime has gained time to deal with problems. Despite anti-U.S. stand, there is still hope for U.S. *End summary*.

2. War was godsend for Baath regime and it acted swiftly to exploit it. It contributed two divisions and five Air Force squadrons but kept best weapons at home. Indian MilAtt says two brigades which saw action fought well. He puts aircraft losses at 32 out of 60, tank losses at 120, and casualties of two brigades at 50 percent. Regime's abrupt rejection of cease-fire and decision to withdraw troops were popular with public,<sup>2</sup> but way it was done has offended army. Isolation and withdrawal appear to have eliminated Iraq as important element in search

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, [no film number]. Secret. Repeated to Algiers, Amman, Beirut, Jidda, Kuwait, London, Moscow, Paris, Tehran, and Cairo.

<sup>2</sup> Telegram 584 from Baghdad, October 30, reported that Iraq disassociated itself from UN Security Council Resolution 338 of October 22 calling for a cease-fire by withdrawing its forces from Syria. (Ibid.) In telegram 591 from Baghdad, November 2, the Interests Section observed that the Ba'ath government's opposition to the cease-fire put it at odds with the Soviet Union. (Ibid.) Telegram 641 from Baghdad, December 1, expounded on Iraqi reasoning as offered by Saddam Hussein to the Lebanese Prime Minister: a settlement with Israel would strip radical Arab states of their most powerful rallying cry, undercut self-avowed progressives like the Ba'ath, and diminish the role of the Soviet Union, which was Iraq's primary protector. (Ibid.)



for settlement. Regime believes U.S. and U.N. lack will to bring about settlement and hopes to be in position to exploit anticipated failure.

3. Use of crisis to achieve earlier objectives of resumption of relations with Iran and nationalization of last U.S. investments was skillfully done. Latter enhanced regime's radical reputation, as did later nationalization of Dutch portion of Shell holdings in BPC. Iraq has not, however, prohibited oil exports to U.S. nor cut its production, presumably because third of exports already stopped by Baniyas closure and because it was confrontation state and needs revenue.

4. Kurds—For past year Baath leaders have recognized necessity of rapprochement with Iran as prerequisite for dealing with Kurds and resumption of relations may lead to progress. French Ambassador has report that Shah is now prepared to cooperate because of Kurdish nationalist activity in Iran. Regime has also used war to pressure KDP to accept Baath plan for autonomy. KDP, while professing solidarity against Israel, has shown no inclination to compromise and is attacking ICP for its role in National Front.

5. ICP also exploited war for its own purposes. In midst of war Central Committee issued emergency call for mobilization of masses and indirectly criticized regime's actions. Since cease-fire ICP has been apologist for USSR and is in direct conflict with Baath position that cease-fire is sell-out of Arab masses. Labor union elections scheduled for Nov 3 postponed until January suggesting Baath wants more time to deal with ICP threat.

6. Baath Party elections are reportedly completed and next step is Party Congress. While some high officials apparently defeated, significance of changes must await Congress.<sup>3</sup> Even if regime resolves intra-party struggle and incipient threat from ICP, it may face new threat from military. Indian MilAtt Suri told me Nov 3 that criticism of regime in army increasingly widespread. Basis of it is that armed forces thrown into war without adequate preparation or consultation, then withdrawn abruptly, again without consultation with military leaders. Insult added to injury when troops not given ammo until just before entering Syria and having it taken away upon return to Iraq.

7. View put forth Baghdad 586<sup>3</sup> that Iraq needs USSR for foreseeable future despite major difference over war and that USSR poised to exploit Iraqi weaknesses seems borne out by 150 million ruble long term loan at 2 and one half percent signed Nov 3 in Baghdad.

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<sup>3</sup> The Baath Party Congress was held January 8–12, 1974. Telegram 27 from Baghdad, January 16, provided a preliminary report. (Ibid.)

<sup>4</sup> In telegram 586 from Baghdad, October 31, the Interests Section commented that the Soviets had emerged from the war in a strong position to exploit Iraqi anti-Americanism and need for military supply and political support. (Ibid., D740251–0631)

8. Despite nationalization of Exxon and Mobil and violent anti-U.S. propaganda, there are recent indications that regime wishes to keep lines to U.S. open. For example, there is apparent desire to go ahead with recent deep sea terminal contract, DirGen of Iraqi Airways is about to attend Boeing conference in Miami, and columnist Rowland Evans warmly received last week including interview with Saddam Hussein.

9. If above assessment correct, Iraq unlikely to expend major resources to disrupt settlement, but continue aid to Palestinians. If settlement reached, regime will be prepared to resume policy of free competition and expanded economic relations with U.S.<sup>5</sup> It is strongly recommended therefore that USG position on Exxon and Mobil nationalization not put insurmountable obstacle in way of future relations. Nationalization was political imperative for this regime and price we paid for special relationship to Israel. Looking to future, however, removal of last “colonialist-era” investment may actually improve attractiveness of U.S. for Iraq.

Lowrie

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<sup>5</sup> Telegram 601 from Baghdad, November 7, reported that the Ba’ath regime was returning to its prewar pragmatism and negotiating with Exxon and Mobil over compensation terms. (Ibid., D740258–0519)

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**239. Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco) to Secretary of State Kissinger<sup>1</sup>**

Washington, November 27, 1973.

**Iraq: Possible Pressure Points**

Our bilateral relations with Iraq are few and tenuous. We do not have any bilateral assistance programs for Iraq and we do not sell the Iraqis military equipment. The Iraqis are not dependent on us for anything that they consider vital. We are not currently dependent on Iraqi

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, POL IRAQ–US. Secret; Nodis. Drafted by Korn.

oil but could become so in the future if Iraq's production expands and our oil needs grow.

There are nonetheless some actions we could take to signal our displeasure with any given Iraqi policy:

1. Reduce the size of, or close down altogether, the Iraqi Interests Section in Washington, which is currently staffed by five diplomatic officers. The Iraqis would probably respond in kind against our two-officer Interests Section in Baghdad, which since its opening in the fall of 1972 has been a valuable political listening post for us.

2. Discourage American firms from doing business in Iraq. The Iraqis have recently opened the door to American business; they have awarded a \$122 million construction contract to Brown and Root, have signed a contract for the purchase of commercial aircraft from Boeing for about \$60 million, and have relaxed the ban on American manufactured products. We could deny Export-Import Bank credits to Brown and Root and could refuse an export license to Boeing. This would, of course, hurt these two firms, and we would have to be able to make a good case for our action to them and to the American public. The Iraqis would probably respond by barring American firms and American products from their market.

3. Encourage the Kurds in Iraq to undertake military activity against the central government. Mulla Mustapha Barzani's Kurdish Democratic Party is already in a state of incipient insurgency and probably would be ready to move against the Ba'ath regime if we would promise to supply arms to his forces. However, the only practical way we could support the Kurds would be through Iran, which has itself a substantial Kurdish population. The Iranians have been careful to give the Kurds in Iraq only enough assistance to keep their separatist movement alive; they do not want to risk the possibility of the Kurds actually succeeding in breaking away from Iraq, for that would endanger both Iran and Turkey. Moreover, the Iranians have recently reestablished diplomatic relations with Iraq and would probably be hesitant to take actions which would result in a renewed rupture.

Iraq would not be likely to be affected by a U.S. threat to withdraw from the peacemaking effort. The Iraqi Government has declared itself opposed to resolution 338<sup>2</sup> and to negotiations between the Arabs and Israel and would welcome abandonment of the U.S. effort.

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<sup>2</sup> See footnote 2, Document 238.

240. **Memorandum From the Legal Adviser of the Department of State (Maw) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Sisco), the Assistant Secretary of State for Economic and Business Affairs (Armstrong), the Deputy Assistant Secretary of State for International Resources and Food Policy (Katz), and the Deputy Assistant Secretary of State for International Finance and Development (Weintraub)**<sup>1</sup>

Washington, December 20, 1973.

SUBJECT

Iraqi Expropriation of U.S. Oil Interests

You will recall that, upon the October outbreak of hostilities between the Arab States and Israel, Iraq purported to nationalize the shares of Exxon and Mobil in Basrah Petroleum Company. The reason advanced by the Government of Iraq to justify the expropriation was to "strike at the interests of imperial States." The expropriation law provides that "The State shall pay compensation" for the interests taken, provided that various deductions from compensation are made, and further provides that regulations shall be issued "defining the payment of compensation and the deductions to be made." As far as we know, no such regulations have been issued. Insofar as inconclusive negotiations between Exxon and Mobil with the Iraqi Government, which took place last month, have revealed, the prospects of Exxon and Mobil being paid compensation which approaches international law standards appear to be bleak.

Even if adequate compensation were to be paid, the expropriation would in its origins be illegal, since it is arbitrary, discriminatory and not for a valid public purpose as that concept is understood in international law. The United States plainly has great interest in not permitting to pass without protest expropriation of the property rights of American nationals for reasons of conflict between third States. Failure to protest could be construed, as a matter of international law, as acquiescence in an act which otherwise would be illegal but, because of the failure to protest, is rendered permissible. Moreover, quite apart from the inadmissible precedent that failure to protest might be construed as setting, failure to protest may well embolden Iraq to endeavor to per-

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<sup>1</sup> Source: National Archives, RG 59, Central Files 1970–73, PET 15–2 IRAQ. Confidential. Drafted by Stephen M. Schwebel (L). Printed from an uninitialed copy with a handwritten note that the original was "sent forward" on December 27.

suaude—and to succeed in persuading—other Arab States to expropriate American interests because of Arab differences with Israel.

I am moved to raise this question with you now because of a public statement by the Iraqi Minister of Oil and Minerals, Saadun Hammadi, reported in *The New York Times* of December 19, 1973. A copy of that report is attached.<sup>2</sup> You will note that Dr. Hammadi advocates, as a substitute for the oil embargo, that U.S. interests in the Arab world be nationalized, among other sanctions to be directed against the United States. “Nationalizing American interests in the region is not a difficult matter,” he is quoted as saying—not least, perhaps, because the United States Government has not as yet said a word of protest in response to Iraq’s nationalizing of the interests of Exxon and Mobil.

The U.S. Government has refrained from protesting for two reasons. First, the Department’s desk dealing with Iraqi affairs has been of the view that a protest would not “serve a useful purpose in the present time” (this on October 29 and subsequently) though it saw the possibility of raising the matter in a helpful way at a later juncture. Second, Exxon and Mobil have been negotiating not only with the Government of Iraq about compensation but with their co-shareholders in Basrah on their claims that the Iraqi decree affects Basrah as a whole, and not the particular interests of Exxon and Mobil, with the result that Exxon and Mobil are entitled to a continuing interest in Basrah. They have been concerned that a protest could prejudice their position vis-à-vis their co-shareholders.

The latest communications with Exxon (a memorandum of conversation is attached)<sup>3</sup> and with Mobil (on December 20) indicate that those companies, while having preferred to postpone a protest, would be agreeable to a protest, provided that it were so worded as not to prejudice their claims against their co-shareholders in Basrah. Mr. Schwebel has asked them for any further views they may have in the light of Dr. Hammadi’s declaration. In any event, however, the U.S. Government naturally can treat the views of the companies, however important and relevant they are, as no more than advisory. It should be recalled, moreover, that the U.S. interests section in Baghdad recommended when the expropriation was proclaimed that “our overall interests in Iraq itself will be best served by insisting on adequate and prompt compensation but limiting our reaction on discriminatory and political elements to strong protest.” (Baghdad’s 00546.)<sup>4</sup>

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<sup>2</sup> Not attached. The statement appeared on page 13 of *The New York Times*.

<sup>3</sup> Not attached.

<sup>4</sup> Telegram 546 from Baghdad, October 9, also noted that the Iraqi Government believed that substantial commercial relations with the United States could continue to expand despite the nationalization. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

Accordingly, I invite you to agree to authorize the preparation, in consultation with Exxon and Mobil as appropriate, of a diplomatic note for delivery to Iraq which will protest the expropriation in terms least likely to prejudice claims of Exxon and Mobil against its co-shareholders.<sup>5</sup>

A first draft of such a note is attached.<sup>6</sup> It also includes a protest about Dr. Hammadi's remarks. I would appreciate your views as to whether we should protest those remarks and, if so, in this note or otherwise.

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<sup>5</sup> In telegram 690 from Baghdad, December 30, the Interests Section warned that Iraq's urging of Arab governments to nationalize U.S. oil companies was "taking on new toughness and immediacy as result apparent success Libyan and Iraqi nationalizations, price increases, flood of high level foreign suitors, and damage Arabs doing to Japan and Europe with present policies rather than main target, the U.S." (Ibid., [no film number])

<sup>6</sup> Not attached.

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## 241. Memorandum From the Under Secretary of State for Security Assistance (Donaldson) to Secretary of State Kissinger<sup>1</sup>

Washington, January 30, 1974.

### Iraqi President Bakr's Letter to President Nixon

In response to your request of yesterday, the following is an analysis prepared by NEA of the Iraqi President's letter to President Nixon.<sup>2</sup>

Viewed in the context of Iraq's political position as a militant, radical Arab state, President Bakr's reply to President Nixon's energy letter<sup>3</sup> seems remarkable for its moderation and absence of polemic. The letter focuses on basic Third World themes in respect to the fundamental problems arising from the growing economic, social and technological gap between the industrialized world and the developing

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P800093–2337. Confidential. Drafted by Djerejian and concurred in by Robert W. Chase (NEA), Julius Katz, and Abraham Katz (T/IEP).

<sup>2</sup> Not printed. (Ibid., P800093–2329)

<sup>3</sup> In a January 9 letter, Nixon invited the major oil-consuming nations and OPEC members to participate in a meeting between consumers and exporters. See *Foreign Relations, 1969–1976*, volume XXXVI, Energy Crisis, 1969–1974, Document 280.

countries. With the exception of certain references to “imperialism” and “monopolies,” there is no direct attack against the United States and no mention of the Arab-Israeli conflict. Given the length of President Bakr’s reply to the President’s letter and the prominent media coverage it has been given in Iraq, the Iraqi Government seems pleased to have been given this forum to enunciate its policies on these major issues.

The Iraqis have rejected explicitly a U.S. leadership role for such a conference and have opted for the U.N. in accordance with their thesis that the energy problem cannot be isolated from other basic international economic problems and any conference must, therefore, include all the energy consuming states. Bakr adopts a position similar to that of the Shah of Iran when he states that there is a direct relation between the price of oil and the cost of alternative sources of energy. Also, Bakr’s letter presents a basic rationale for the full or partial nationalization of foreign oil interests which, in Iraq’s view, resulted in a more realistic adjustment of the price of oil.

Despite the major differences in the U.S. and Iraqi views on the energy question, President Bakr’s reply, we believe, is not merely an exercise in propaganda, but is meant to be constructive. We share the view of our interests section in Baghdad that we should keep the dialogue on energy matters open with the Government of Iraq.<sup>4</sup> This is especially the case since Iraq is one of the leading oil producers in the world and its potentially recoverable crude oil reserves are estimated to be second only to those of Saudi Arabia.

The main points in Iraqi President Bakr’s response to President Nixon’s letter to the Chiefs of State of the oil-producing countries are as follows:

(a) Iraq is opposed to the President’s suggestion of convoking a meeting of the major energy producing states and the major consuming states.

(b) The issue is broader than just the problem of energy, and is tied to other major problems such as the general rise in the prices of raw materials and manufactured goods from the industrialized states.

(c) Also, a fundamental problem is the economic and social development gap between the industrialized states and the developing countries which aggravates the relations between the two.

(d) The developing states which also consume energy and need energy resources for their development are suffering more than the in-

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<sup>4</sup> The Interests Section expressed this view in telegram 54 from Baghdad, January 27. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

dustrialized states as a result of the scarcity of energy and its increasing cost.

(e) The best framework for discussing the energy question and the broader issues involving the industrialized countries and the developing countries is the United Nations and its agencies. Further, any such conference should not be limited only to the major energy consuming states.

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**242. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, March 18, 1974, 1237Z.

847. Refs: A. Tehran 845, B. WH40730.<sup>2</sup>

1. Please deliver the following message to Secretary Kissinger as soon as feasible.

2. Station Chief met General Barzani and Dr. Mahmud Uthman with their SAVAK liaison officer evening 16 March and with General Nassiri, Chief of SAVAK, on 17 March. Both conversations are summarized separately below for your information and to solicit your wishes as to how Barzani and Iranian requests for increased assistance should be handled. Similar summary being cabled to Agency by Station.

3. "Barzani made the following points:

"A. Kurdish morale and will to resist the Iraqi Ba'th regime has never been higher. Kurds from all over Iraq have been leaving their cities and towns and streaming northward to join Barzani's forces. All Kurdish Cabinet Ministers, all Kurdish Governors, virtually all Kurdish members of the official government in the north and 5,000 police officers and men with their weapons and ammunition have rallied to Barzani.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II. Secret; Immediate. Sent with the instruction to deliver at opening of business March 18.

<sup>2</sup> In backchannel message 845 from Tehran, March 16, Helms confirmed that he had delivered a message from Kissinger to the Shah about keeping military pressure on Iraq until there was some type of disengagement on the Golan Heights and advised Kissinger that the Shah had agreed. (Ibid.) Backchannel message WH40730 to Tehran was not found.



"B. He expressed the view that this had been a great political shock to the Ba'th regime which had probably hoped that a substantial element of the Kurdish community would seek an accommodation with the government. The government has withdrawn its garrisons from the most exposed places in the north, such as Rawanduz, Qala Diza, Raniya. The entire Turkish border area and the Iranian border area down to Halabcha are now in Kurdish hands. Baghdad has maintained garrisons at the two vital dams of Dukan and Darbandi Khan however.

"C. With the influx of 250,000 people and a virtual economic blockade of the Kurdish area by the government, Barzani's administration required not only additional arms (surface-to-air rockets, anti-tank rockets, and more anti-aircraft machine guns) but also civilian supplies and money. They need food, tents, clothing. They have come to ask the Shah and their other friends for an increased level of support.

4. "COS told Barzani that he would pass his request along and that we would be discussing it, of course, with the Iranians. However, he should know a few things which might make it difficult for us to do more than we were now doing.

"A. Even the Iranians do not have hand-held ground-to-air rockets [1½ lines not declassified].

"B. COS' organization does not have unlimited funds and it may well be contributing the maximum available in its budget for cash payments.

"C. As he knew, security and secrecy were essential to this project and, if through an attempt to raise the level of support, some information about the project would leak it could be fatal to the continuation of the support.

5. "Barzani said he thinks that the Iraqis may plan to bomb the Kurds and that the Turks may collaborate with the Iraqis as well. He noted the Turks have massed a lot of troops along the border. He said the Kurds are not seeking war and would like to avoid it but they refuse to give up any Kurdish territory.

6. "Barzani then went on to say that the root of his trouble with the Ba'th is his refusal to cooperate with the Ba'th and the Communists against Iran and the West. He said he has to think about the welfare of his people and if he can't get sufficient support from Iran and the USA perhaps the best thing would be for him to leave the area, seek asylum in Iran, and tell the Kurdish people to make the best deal they can with the Ba'th. He went on that as he sees it Kurds have only two choices: either to accept the Ba'th autonomy proposals and join the National Front, or to refuse and to fight.

7. "COS said there was possibly another alternative which would be to continue strengthening themselves militarily and to continue

talking and negotiating with a view to avoiding an all-out military confrontation. The Kurds could play for the breaks and perhaps work with anti-Ba'th Arab elements to weaken and eventually overthrow the regime.

8. "Barzani said he would like Iranian approval to set up and protect an Iraqi Arab and Kurdish government in the north which would claim to be the legitimate government of Iraq. But would Iran and the USA recognize and support it? COS said that he believes much preparatory groundwork would have to be done before such an action would be feasible and credible. COS asked him to identify the Arab Iraqi leaders who could form such a government. He said he would not reveal their names for security reasons until the appropriate time. COS impression is that they have no substantial group of anti-Ba'th Arab leaders who are prepared to collaborate at this time.

9. "He repeated his strong desire to meet the Ambassador and to get to see Dr. Kissinger. COS repeated all the valid reasons why this would not be desirable or even feasible. He said that when he saw the Shah he would ask him to urge Dr. Kissinger to receive him. Maybe Dr. Kissinger would intercede with Gromyko, to get the Russians to tell the Iraqis not to attack the Kurds.

10. "COS impression is that what they most want from us now is more money and ordnance. From the Iranians they want much more money, more weapons with which to arm the refugees, and political support. [3 lines not declassified]"

11. "On 17 March General Nassiri recapitulated the situation in Kurdistan as described by General Barzani. He stressed that Turkish military forces were sealing the border to the north of Barzani's forces and that Iraq has imposed an economic blockade. He said the Kurds need:

- A. Ground-to-air missiles,
- B. Anti-aircraft machine guns,
- C. Anti-tank missiles,
- D. More rifles.

They also need tents, clothing, foodstuffs, and medical supplies.

12. "COS noted that we had some additional ammunition for the [less than 1 line not declassified] heavy machine guns [1½ lines not declassified]. COS said he would transmit the Iranian and Kurdish requests to his headquarters after discussing the situation with the Ambassador.

13. "COS mentioned that in his talk the preceding day General Barzani had surfaced the possibility that if he did not receive sufficient support he might decide to give up the struggle, seek asylum in Iran and recommend to his people that they make the best deal they can with the Ba'th. General Nassiri doubted very strongly that Barzani

would do this and COS agreed with him. Speculated that this was probably a tactical ploy on Barzani's part to increase the pressure on the Iranians and US to provide increased support. General Nassiri's own position is that it is essential that support for Barzani be greatly increased since Barzani has no option but to care for the million and one half people who are in his area and cut off from other means of support."

14. Before we proceed further with the Iranian Government or the Kurds, we would very much appreciate knowing how you want this handled.

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**243. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, March 21, 1974.

SUBJECT

Mulla Mustafa Barzani's Requests for Additional Assistance

1. On 11 March the Ba'th Government in Baghdad unilaterally promulgated a decree giving limited autonomy to the Kurdish areas of Iraq.<sup>2</sup> The decree was unsatisfactory to Kurdish leader Mulla Mustafa Barzani and his followers in the Kurdish Democratic Party (KDP), but attempts to negotiate an agreement satisfactory to the KDP failed. Baghdad has made moves to reinforce its military forces in the Kurdish areas and otherwise deploy the army in a way suggesting the likelihood of punitive action against the Kurds. Prior and subsequent to 11 March there have been clashes. Further hostilities are expected and Barzani expects a major effort to suppress Kurdish resistance and remove him from Kurdish leadership.

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<sup>1</sup> Source: Central Intelligence Agency, Executive Registry Files, Job 80M01048A, Box 4, Folder 17. Secret; Sensitive.

<sup>2</sup> According to a memorandum from Korn to Atherton, April 22, the Iraqi Government, following the breakdown of negotiations for Kurdish autonomy, unilaterally announced its plan for Kurdish self-government on March 11, the end date of the 4-year Iraqi-Kurdish truce. Saddam Hussein gave the Kurds until March 26 to accept the proposal, but the Kurds objected because it excluded oil-rich Kirkuk from the autonomous region and granted insufficient internal autonomy. (National Archives, RG 84, Baghdad Post Files: Lot 76D452, Iraq, 1973–75, Box 1, POL 13)

2. Barzani has been in Tehran this week seeking substantial additional assistance from the Iranians. Attached hereto is a verbatim copy of his petition to the Shah.<sup>3</sup> In brief, Barzani ambitiously asked for (a) a total of some \$360 million in financial subsidies and (b) Iranian acceptance and support of a separatist Kurdish-Arab government to be situated in a Kurdish safehaven protected by Barzani. We do not yet know the extent to which the Shah will be responsive, but it is most unlikely he will come anywhere near to meeting Barzani's optimum requirements or recognizing a separatist Kurdish-Arab government located in northern Iraq.

3. Mulla Mustafa has also called on our Chief of Station in Tehran whom he informed of his request to the Shah. He also indicated he would like additional U.S. assistance as well. It is our understanding that Ambassador Helms has been in communication with you on this subject.<sup>4</sup>

4. [*1½ lines not declassified*]

W.E. Colby<sup>5</sup>

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<sup>3</sup> Attached but not printed.

<sup>4</sup> Helms sent Kissinger an account of Barzani's report of his appeal to the Shah for additional aid in backchannel message 849 from Tehran, March 20. (National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II)

<sup>5</sup> William E. Nelson's stamped name indicates he signed for Colby above this typed signature.

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**244. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, March 26, 1974, 0034Z.

WH40770. Reference: Tehran 847 and 849.<sup>2</sup>

As you know, the Secretary is away from Washington. We have been considering possible responses and how we might be helpful in

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II. Secret; Sensitive; Exclusively Eyes Only.

<sup>2</sup> See Document 242 and footnote 4, Document 243.

new situation as portrayed by Barzani in your messages. We are forwarding following preliminary staff-level thoughts in order to get your views on them as well as your thoughts and judgments on the issues which we would plan to put before the Secretary upon his return this Thursday.<sup>3</sup>

We see the following as some basic considerations:

1. Mulla Mustafa's plan to establish what would be tantamount to an autonomous government would escalate the situation well beyond our covert capabilities to contribute meaningfully. To make a significant dent in Barzani's requirements would project us beyond the boundaries of a covert operation, making secrecy impossible, and would thus jeopardise other policy equities. All of this was, in fact, pointed out to Mulla Mustafa at the outset of our relationship, when even then he talked of establishing an autonomous government. What disclosure of our involvement would signal to the Soviets, how this would affect U.S.-Turkish relations, and how it would be viewed by the Arabs are questions which must be seriously considered.

2. Would it be to our benefit to have a Kurdish-Arab or any other kind of rump government established in a Kurdish safehaven? Would it even be to Mulla Mustafa's advantage so to formalize and symbolize his autonomy? Such a development probably would give Iraq no choice but to launch a major attack against Kurdistan if it is to protect its national integrity. Barzani's action could be considered tantamount to aggression against Iraq, as opposed to his stance to date of defending himself against Baghdad government attack. In the latter mode he can make at least some sort of plausible claim to Iranian or foreign help; in the former he could not. Moreover, there is a real question whether Barzani could put together a government in which there was plausible Arab colorization. If not, he would alienate Iraqi Arab dissidents, who we feel are growing in strength and aggressiveness. (Evidence certainly points to Baghdad's concern on this score.)

3. Would the Shah look with favor on the establishment of a formalized autonomous government? The Shah, like ourselves, has seen benefit in a stalemate situation in Iraq in which the Ba'ath government is intrinsically weakened by Kurdish refusal to relinquish its semi-autonomy. Up to now neither the Shah nor ourselves has wished to see the matter resolved one way or the other—either by Kurdish acquiescence or by the establishment of an unviable autonomous Kurdish government (particularly one pretending to speak for Iraqi Arab sentiment as well). For Mulla Mustafa to attempt to form a government in safe-haven could be to narrow his own options to a dangerous point

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<sup>3</sup> March 28.

and gratuitously provoke Iraq (with strong Soviet and possibly even Turkish support). While Iraq already may be prepared to attack the Kurds, there may still be room for some sort of compromise between Barzani and Baghdad, or at least a situation considerably short of all out war. Are we certain that Barzani will personally cut and run?

4. We recognize that even if Barzani refrains from establishing a government, he is still faced with a serious situation, a withdrawal of Iraqi subsidies, a menacing deployment of Iraqi troops, and a population swollen with refugees. This will inevitably require more funds and supplies. But as earlier noted we doubt seriously that we could provide anything like the required support level without disclosure. Thus it would seem that the problem can only be solved by the Shah, assuming he finds it in his interest to keep the Kurds in a state of dissidence and free from Baghdad control. What we could perhaps do as a symbolic gesture of sympathy is provide through SAVAK, in addition to our present subsidy, a token amount, something in the order of [*1 line not declassified*] (which may be left over in this year's authorization, thanks to a better dollar–dinar exchange rate than had been anticipated) for “refugee relief”. And assuming the Kurds are forced to fight to defend themselves and thus expend much of their arms and ammo stocks, we would now begin air-lifting to SAVAK the current stockpile of [*less than 1 line not declassified*] small arms and ammunition [*3½ lines not declassified*]. A combination of these two gestures would hopefully signal to Barzani that we are still sympathetic and friendly to his predicament and prepared to continue to help on a scale which can be kept covert, but that we cannot play a prime role in the new ballgame.

The above represents some of our initial thoughts and preliminary assessments. We would appreciate your views and recommendations, both on the foregoing and on any other considerations you believe relevant as further basis for decision. It would be useful to know how the Shah intends to react, if you can assess this without going into the subject with him, and whether he is prepared to take a major step toward meeting the new Kurd request, with all that implies.

Since the Secretary will be returning late on March 28 and will be here for only a very short time, it would be helpful to have your views by then.

Warm regards.

**245. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, April 11, 1974, 0800Z.

221. Subject: Kurdish Autonomy Conflict. Ref: Baghdad 183.<sup>2</sup>

1. War of nerves between Barzani and Baath regime continues, but both sides still appear reluctant to close negotiating door and renew fighting. On April 6 Ministry of Defense called up all reserves born in 1947 to active duty. On April 7 RCC replaced five Kurdish Ministers with "safe" Kurds. It had earlier replaced Governors of Kurdish provinces of Sulimaniyah, Irbil and Dohuk. Incumbents had already deserted their posts in March to join Barzani. Mobilization and movement of more troops to north also reportedly taking place. At same time, GOI continues to publicize what it has done for Kurdistan and announced that supplemental funds of 100 million dollars are designated for Kurdish areas in FY 75 investment budget. Press reporting on return of Kurds to their jobs and homes, but other info suggests opposite, for example, Papal Nuncio's assistant told me April 9 that 700 Christian families had come to Baghdad leaving all possessions in disputed areas in north. He also said some Christians had joined Barzani's forces, apparently as way of striking at dictatorial Baath regime. Indian EmbOff said Sulamaniyah University deserted, with Kurds going to north and Arabs to Baghdad; 22 foreign instructors were all of faculty that remained. He also said Pesh Merga now controlling road between Sulamaniyah and Kirkuk.

2. Communist diplomats, who have been consistently supporting GOI position, are warning of full scale fighting if Barzani does not compromise. Hungarian MilAtt made point of telling me April 10 that two mountain divisions and one inf div now poised on edge of Kurdish-controlled territory, backed up by two armored brigades and four squadrons A/C. He predicted that offensive would be launched April 26, expiry date of amnesty for Kurds to return to jobs, if settlement not reached. He also said 5,000 armed Kurds from Syria had recently joined Barzani.

3. Kurdish leadership shows no outward sign of compromise. Voice of Kurdistan, whose signal is strong on MW in Baghdad, con-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740087-0356. Confidential. Repeated to Ankara, Beirut, Cairo, Moscow, Tehran, and Damascus.

<sup>2</sup> Telegram 183 from Baghdad, March 30, reported that negotiations over the Kurdish autonomy law between the Iraqi Government and the KDP continued. The Embassy commented that if an accord were not achieved, Iraq would attempt to put military, political, and economic pressure on Barzani, but would try to avoid a full-scale military conflict. (Ibid., D740071-0659)

tinues to broadcast evening reports of skirmishes and claims of population rallying to its cause. It ridicules influence of GOI appointed Kurdish Ministers and their pretension in saying KDP is joining National Front.

4. In April 8 interview RCC Vice Chairman Saddam Hussein made several references to Kurds being armed with American arms, but his clearest accusations were against Iran. He claimed Barzani no longer represented Kurdish people and that members of his own family with him in north differed with stand. He said National Assembly would be created in next few months in cooperation with new Kurdish leadership.

5. *Comment:* Most ominous development for us is increasing number of rumors about U.S. support for Kurds. If situation deteriorates we can expect GOI to drop circumspection of Saddam Hussein's recent remarks and attack U.S. directly and violently. Official denial as suggested in para 3 of Baghdad 153 would be useful.<sup>3</sup> Despite military preparations, I continue to believe regime will launch full scale offensive only as last resort. What does seem likely are some military actions aimed at specific targets such as Voice of Kurdistan transmitter and villages near Barzani's hdqs.

**Lowrie**

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<sup>3</sup> In telegram 153 from Baghdad, March 17, the Interests Section, reporting that the official Iraqi news had attacked the Voice of America for its story on Kurdish autonomy, urged that the United States disclaim any involvement in Iraqi internal affairs. (Ibid., [no film number]) In telegram 223 from Baghdad, April 13, Lowrie reported that, as instructed in telegram 73711 to Baghdad, April 11, he had issued a denial to the Ministry of Foreign Affairs of the widespread report that the United States was aiding the Kurds. (Both *ibid.*, D740087–0503 and D740084–0120)



**246. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, April 11, 1974.

**SUBJECT**

Further Support for the Kurds in Iraq

You will recall that, following your visit to Tehran in 1972, we began working with the Iranians in providing some support to the Kurds in northern Iraq. That program was designed to strengthen the capacity of the Kurds to preserve their own position in their efforts to negotiate a form of autonomy with the Iraqi Government. The underlying purpose was to keep the Iraqi Government tied down and to limit its capacity for adventures abroad. Since that time we have provided through the Iranians a monthly subsidy of about [*less than 1 line not declassified*] together with some small arms and ammunition.

On March 11, the four-year truce between the Kurds and Iraqi Government came to an end, and the Kurds have been bracing themselves for new attacks by the Iraqi armed forces. The Kurdish leader has asked the Iranians for significant new aid which would permit them to set up a Kurdish-Arab government in a Kurdish safehaven in northern Iraq. This would require a total of some [*less than 1 line not declassified*] in financial subsidies, which the Kurdish leaders are now requesting. In short, this would be a totally different operation from the past.

Ambassador Helms believes that the Shah will provide increased assistance to help the Kurds hold out in the present situation but will be unwilling to go to the extent of underwriting an autonomous Kurdish government on a long-term basis.<sup>2</sup> Nor could the U.S. provide, covertly, support on the scale requested. Further, it does not appear to be in the U.S. interest to support the establishment of a separatist government there.

We have, therefore, developed a package which would show that we are still concerned with the Kurdish plight and are willing to continue our support, but that we are not able to participate in the much broader concept they have in mind. We recommend approval of the following package, in addition to the continuing subsidy:

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<sup>1</sup> Source: National Security Council, Nixon Intelligence Files, Subject Files, Iraqi Kurds, Box 8, 7 April 1969–12 June 1974. Secret; Eyes Only. Sent for action. A stamped notation on the memorandum indicates the President saw it.

<sup>2</sup> Helms offered these views in backchannel message 857 from Tehran, March 28. (Ibid.)

—[*less than 1 line not declassified*]<sup>3</sup> for “refugee relief.” This amount is available from funds previously appropriated.

—Airlifting to the Iranian intelligence service a stockpile which we have accumulated of [*less than 1 line not declassified*] small arms and ammunition.

Ambassador Helms shares our view that this would be about the right balance, given our limited objectives.

#### *Recommendation*

That you authorize dispatch of the attached telegram to Ambassador Helms instructing him to inform the Iranians what we are prepared to do.<sup>4</sup>

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<sup>3</sup> Nixon circled this amount and wrote in the margin a note that reads: “[*text not declassified*] if it can be used effectively.”

<sup>4</sup> Nixon initialed his approval of the recommendation. The attached message was sent as backchannel message WH40988 to Tehran, April 19, in which Kissinger authorized Helms to offer the Kurds [*text not declassified*] approved by Nixon. Responding to the Shah’s queries, Kissinger agreed that the assistance could be applied to food purchases and discouraged Barzani’s plan to declare Kurdish autonomy. He suggested that Helms point out that the U.S. objective was to give the Kurds capacity for negotiating recognition of their rights by Iraq and to keep the Iraqi regime tied down, but not to divide Iraq with the creation of an unviable Kurdish area that would permanently damage U.S. and Iranian relations with Iraq. (National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, Middle East/Africa, 1974, Vol. II)

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#### **247. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of State Kissinger<sup>1</sup>**

Tehran, April 17, 1974, 0838Z.

872. Ref: Tehran 870 (Barzani’s letter to Secretary Kissinger).<sup>2</sup>

1. The Shah sent word via SAVAK Chief, General Nasiri, Tuesday morning 16 April that he wanted me to read the Kurdish Democratic Party’s proposed autonomy declaration prior to my audience scheduled for late that afternoon. The declaration consisting of a preamble of 6 pages and a statement of principles and organization of 7 pages was

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 426, Backchannel Files, 1974, Middle East/Africa, Vol. II. Secret; Immediate; Eyes Only. Sent with the instruction to deliver at opening of business April 17.

<sup>2</sup> Not found.

brought to the Embassy by a SAVAK officer in mid-afternoon. (The complete text of both parts has been cabled [*less than 1 line not declassified*] with a request to send a copy to your office.)<sup>3</sup> SAVAK had indicated that the Kurds were planning to broadcast their autonomy declaration over their clandestine “Radio Kurdistan” later in the evening 16 April.

2. When I saw the Shah, he said that he wanted our government to study the proposed Kurdish autonomy declaration. He was seeking and would welcome our government’s comments and views on the contents of the declaration itself and on the advisability of promulgating it at this time.

3. I pointed out that once broadcast, the statement could not be un-broadcast or recalled. It seemed to me a step which should be very carefully considered before being taken.

4. The Shah said that he had not had the opportunity to consider all aspects of the proposal himself and that is one reason he was seeking our views. “Since we are in this thing together”, he said, he wanted to consult the U.S. before reaching a decision.

5. In my presence he telephoned SAVAK ordering them that the broadcast of the autonomy declaration should be postponed at least until Saturday, 20 April. He said that General Barzani is in Tehran and will wait here until then to have the Shah’s decision.

6. He said that in any case he would be increasing his own financial assistance to the Kurds who now need more aid than ever due to the influx of an estimated quarter of a million refugees from the south including thousands of professional people, teachers, doctors and intellectuals.

7. The Shah pointed out that the present regime in Iraq is an aggressive combination of the Ba’th and the Communists and until Iraq gets a decent government it seemed desirable to him to support the Kurds.

8. It seems to me that the Washington staff study which was forwarded to us for comment as WH40770,<sup>4</sup> put forth some cogent reasons for the Kurds not issuing their own declaration of autonomy at this time. Such a declaration will be a public burning of bridges which will virtually foreclose further negotiation and will give the Baghdad regime a further pretext for major coercive military action. The Kurds can always issue the declaration at some future time if it appears advantageous to do so. If the Shah and we indicate we approve of issuing the

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<sup>3</sup> A copy of the declaration is in the Central Intelligence Agency, Executive Registry Files, Job 80M01048A, Box 3, Folder 35. Colby sent a copy to Kissinger on April 16.

<sup>4</sup> Document 244.

declaration at this time, we shall be implicitly bound to support the Kurds through the consequences which follow. We know that their projected minimum budget is 180 million dollars per year and that they are going to need massive supplies of food and other materials to support their population of one and a half million people (Tehran 869).<sup>5</sup> With an area which is economically unviable, is it in the Kurdish interest to make this irreparable break with Baghdad. We in Tehran do not think so and recommend that we tell the Shah and the Kurds that we do not recommend that they issue the autonomy declaration for the time being.

9. Need your comments before Saturday<sup>6</sup> local time. Warm regards.

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<sup>5</sup> Not found.

<sup>6</sup> April 20.

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**248. Backchannel Message From the Ambassador to Iran (Helms) to Secretary of State Kissinger<sup>1</sup>**

Tehran, April 22, 1974, 0640Z.

873. Ref: WH40988.<sup>2</sup>

1. On 20 April I conveyed the contents of ref telegram in detail to His Imperial Majesty. He expressed full agreement with our position on the Kurdish autonomy declaration and authorized me to have the COS so inform General Barzani. H.I.M. welcomed the money we are offering for refugee assistance and the proposed ordnance package being prepared for delivery. In connection with the latter, he made some suggestions for acquiring additional types of weapons. I have turned these over to the COS. H.I.M. indicated that he was increasing his own assistance to the Kurds from two hundred million tomans a year (about 30 million dollars) to five hundred million tomans a year (about 75 million dollars).

2. Following my meeting with the Shah the COS met with General Barzani and Dr. Mahmoud Uthman. He informed them of our decision

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Iran, Chronological Files, Box CL-152, 2 January–30 April, 1974. Secret; Immediate; Eyes Only. Sent through Scowcroft with the instruction to deliver at opening of business April 22.

<sup>2</sup> See footnote 4, Document 246.

to provide [*less than 1 line not declassified*] for refugee aid; indicated the ordnance being readied for shipment; and told them the Shah and we judged it would not be desirable for them to issue their proposed autonomy proclamation at this time. Contrary to our expectation that General Barzani would be disappointed, his reaction was one of apparent understanding of our position and warm gratitude for the additional aid we are planning to supply. He asked the COS to convey his thanks to the President, Secretary Kissinger and those Agency officials who have understood and supported his efforts to defend the rights of his people. He reaffirmed his strong attachment to American policy and America's historical role as supporter of oppressed peoples. He offered himself and his movement for whatever tasks the United States might ask them to perform. He confirmed that the Shah has promised to increase the level of Iranian support to five hundred million tomans a year.

3. General Barzani said too that he wanted to send two Kurdish leaders, Mohammed Mahmud Abd-al-Rahman and Muhsin Dizayee, to New York to lobby for the Kurdish cause at the United Nations and with international press people. Both men are former Iraqi Cabinet Ministers and have Iraqi diplomatic passports. [*2 lines not declassified*]

4. We think this recent exchange among the Shah, the Kurds, and ourselves has turned out very well. Both the Shah and the Kurds appear to have accepted the soundness of our position on autonomy and to have understood the constraints against raising the level of our support beyond a point which can be kept covert. We still have a challenging logistics task to perform but have crossed a difficult political hurdle. We here greatly appreciate the work of those members of your staff and of the Agency who helped establish a positive and viable position and your own clear guidance and decision in this very complicated matter. Warm regards.

## 249. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, May 1, 1974, 1002Z.

280. Subject: Baath Strategy Against Barzani. Ref: Baghdad 274.<sup>2</sup>

1. *Summary*: Although conflict with Kurds heating up, regime is sticking to its strategy of isolating Mulla Mustafa Barzani through combination of military pressure, promises of economic benefits for Kurdish people, and implementation of nominal autonomy with anti-Barzani Kurds. Strategy has not succeeded thus far in attracting Kurds away from Barzani and military action is becoming its major element in face of uncompromising Kurdish resistance. If, however, regime can continue policy for six months or longer, which would require strong discipline over army and continued restraint in face of Kurdish radio and perhaps terrorist attacks, it might have some success. Much will depend on extent and nature of outside assistance Kurds receive. Kurdish hopes of bringing about regime more favorable to them seem unrealistic at this time. Main opposition to current GOI policy of restraint reportedly come from those who want to unleash the military. *End summary*.

2. On April 25 RCC Vice Chairman Saddam Hussein spoke to enlarged meeting of National Front and stressed that implementation of Kurdish autonomy law is proceeding rapidly.<sup>3</sup> He said members of regional legislature and executive would soon be announced. He called on National Front officials to make clear to all Kurds that regime will eliminate Barzani and "that Barzani should raise white flag before it is too late." It is "irrevocably out of question" to again negotiate with him. Saddam declared that economic blockade would be carried out against Barzani controlled territory.

3. On same day RCC decided to extend by 30 days amnesty period during which Kurdish officials and soldiers who had joined Barzani

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740108-0773. Confidential. Repeated to Amman, Ankara, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Moscow, Paris, Tehran, and Tel Aviv.

<sup>2</sup> Telegram 274 from Baghdad, May 1, reported that although the Iraqi Government had launched a large-scale attack to relieve a garrison besieged by Barzani's Pesh Merga forces, it had yet to launch a major offensive. (Ibid., D740105-0365)

<sup>3</sup> Reference is to the decree announced by Bakr on March 11 that granted local self-rule to the Kurds, as called for in the March 1970 agreement. See footnote 2, Document 243.

could return without punishment.<sup>4</sup> GOI also announced allocation of funds for construction of legislative and executive building in Arbil. In addition, activities of new Kurdish Vice President and five Ministers are being given prominent media coverage, usually stressing government's economic plans for Kurdistan. Congress of rump KDP is being prepared after which it will probably join National Front.

4. Unmentioned by the media are the reported clashes between Pesh Merga and Iraqi Army reinforced by para-military Communist Kurds (called "jackasses" by Voice of Kurdistan). Information available in Baghdad as of May 1 indicated that after difficult march garrison at Zakho was relieved (reftel) and that Iraqi AF being increasingly used to attack villages in area of maximum difficulty, apparently Sulaimaniya–Khanaqin–Kirkuk triangle.

5. President Bakr has said virtually nothing on Kurdish problem and Indian EmbOff Nairam interprets this as sign of policy difference between Bakr and Saddam Hussein, who is principal architect of current policy. Algerian Ambassador Saadi confirms that Bakr favors tougher military policy than Saddam but discounted rift. He said policy is already heavily influenced by Bakr and only reason Bakr has not spoken out more is his poor health. Algerian Amb said execution of 11 Kurds on April 14 in Arbil which led to Kurdish execution of 19 Iraqi military on April 21 was example of differing military and civilian approach. Saddam had tried to stop executions, but by that time authorities in Arbil had already executed them. According to Egyptian Counselor Baraka, Kurds had been caught trying to place bombs in public places in Baghdad and Arbil. He said 19 executed Arab soldiers (2 officers) had been captured by Kurds prior to March 11 while on pleasure bus trip. Their execution was particularly resented by army and is part of explanation for commencement of large scale bombing of villages after April 22.

6. *Comment:* Events cited last para, if true, are good example of type of escalation that could lead to early full scale offensive despite obvious reluctance of GOI to commit itself to purely military solution. If Saddam Hussein can maintain control of military, he would almost certainly prefer to give policy of economic blockade, military pressure and promises of prosperity for anti-Barzani Kurds few more months to produce results. Given recent Kurdish attack against Kirkuk oil installations and bombings in Baghdad, Saddam may be forced to seek military solution. Only bright spot in this gloomy picture is fact that

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<sup>4</sup> According to telegram 235 from Baghdad, April 18, the Iraqi Government had earlier declared that Barzani's followers could return to their official jobs until April 25 without sanctions. (National Archives, RG 59, Central Foreign Policy Files, D740093–0658)

Saddam Hussein in his speech of April 25 did not repeat his accusation of U.S. assistance to Barzani.

Lowrie

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**250. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, May 23, 1974.

SUBJECT

Request by Mulla Mustafa Barzani to see Dr. Kissinger

1. On 15 May 1974, Mulla Mustafa Barzani's representative informed our acting Chief of Station in Tehran that Barzani would very much like to see you at your convenience. They gave as Barzani's primary reason for wanting to see you his desire to explain in person what he considers to be political opportunities presented by the present conflict. Barzani believes, on the basis of interrogations of captured Iraqi soldiers, that the Iraqi population is becoming increasingly alienated from the Ba'th regime and that the regime would fall if the Kurds could inflict a major defeat on the government forces. Barzani is buoyed by the unprecedentedly large proportion of Iraqi Kurds who are actively supporting him and by the superior fighting qualities his men have shown compared to the Iraqi soldier. He is correspondingly frustrated by his inferiority in armament, particularly heavy artillery and anti-aircraft guns, and believes that only this inferiority stands between the Kurds and a major victory.

2. This request to see you comes in the context of recent Kurdish requests to us, the Iranians [*less than 1 line not declassified*] for more heavy weapons and high explosive ammunition. We expect that Barzani's reason for wanting to see you is his desire to make a personal plea for still another substantial increase in material assistance from the United States Government—both in quantity and offensive capability. Consequently, we are reviewing for you below certain relevant factors: the security considerations which govern our choice of ordnance to give the

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<sup>1</sup> Source: Central Intelligence Agency, Executive Registry Files, Job 80M01048A, Box 4, Folder 17. Secret; [*handling restriction not declassified*].



Kurds; our ordnance contribution to them this year; an estimate of contributions given or promised by [*less than 1 line not declassified*] Iranians; and, our plans for procuring ordnance for next year.

3. The Agency concludes from public statements made by Iraqi officials and from our intelligence reporting that the Iraqis have no concrete evidence that the United States Government has given the Kurds material or financial assistance. The Iraqis would, however, make full propaganda use of material of U.S. origin captured from the Kurds, no matter how the Kurds acquired it, as “proof” of our involvement. [*3½ lines not declassified*]

4. [*21 lines not declassified*]

5. Although we do not know in detail what the Iranians [*less than 1 line not declassified*] have contributed, we do know that [*less than 1 line not declassified*] have been forthcoming. The Iranians have provided, among other items, a large number of Brno rifles, 1,000 RPG-7 anti-tank rockets, and have, we know, promised anti-aircraft guns. The money subsidy now being given by the Iranians is up to approximately \$75 million per year. [*2½ lines not declassified*] The Kurds have told us that they are reasonably well supplied for the short haul except for anti-aircraft guns capable of shooting down a TU-22 bomber at high altitude.

6. [*9 lines not declassified*]

7. We plan, therefore, to adopt a new approach to the arms supply problem. While continuing to supply small arms and ammunition as before, we will endeavor to arrange for procurement of heavier weaponry and ammunition through the Iranians to a much greater degree than hitherto. [*2½ lines not declassified*]

8. A personal meeting between you and Barzani or his emissary would significantly increase the security risks by thus raising the level of contact with Barzani. I would, therefore, recommend against your meeting with Barzani and request your authorization for our Chief of Station in Tehran to inform Barzani that a meeting with you is not feasible at this time.<sup>2</sup>

W.E. Colby<sup>3</sup>

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<sup>2</sup> No reply from Kissinger has been found, but, according to Document 251, high-level Department of State officials refused to receive Kurdish representatives.

<sup>3</sup> Printed from a copy that indicates Colby signed “Bill” above this typed signature.

## 251. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, May 30, 1974, 1247Z.

338. For NEA/ARN. Subject: (1) Madam Saddam Hussein Visit; (2) US-Iraqi Relations.

1. Miss Bakr, who is USINT's principal contact at Foreign Ministry, called me in three days in a row beginning May 26 to discuss: visit of Vice President and Ba'ath Party Chairman Saddam Hussein's wife to U.S. for medical treatment; and US-Iraqi relations with particular reference to Kurdish problem and Arab-Israel problem.

2. Regarding Madam Hussein's visit, Miss Bakr said she has an appointment June 14 with Dr. Frank Furstenberg at the allergy clinic of Johns Hopkins Medical Center. Madam Hussein is travelling on a diplomatic passport under name Sajida Khairi. She will be accompanied by three and possibly four people including her personal physician. We have issued B-2 diplomatic visas to this party (see Baghdad 335),<sup>2</sup> Miss Bakr requests this information be closely held and particularly not discussed at this time with Iraqi Interests Section in Washington. I agreed to this and asked whether we could be of any assistance to Madam Hussein. Miss Bakr said she will inform me when precise schedule firm. At that time Iraq Interests Section Washington will be informed, and GOI would like Department coordinate arrangements with Iraq Interests Section for meeting Madam Hussein and facilitating her medical treatment. Miss Bakr said GOI is concerned about Madam Hussein's security. I said I felt sure U.S. would take appropriate steps to make Madam Hussein's visit successful, and promised Miss Bakr I would inform Department immediately when she confirmed Madam Hussein's plans. *Comment:* Believe it would be useful make special effort to see that visit goes smoothly. GOI requests seem reasonable and I hope we can respond.

3. Regarding U.S.-Iraq relations, Miss Bakr's remarks were largely read from a prepared position paper. She said GOI had been very pleased to hear that high-level Department officials had refused to receive representatives of the Kurdish rebels. GOI had heard that Kurds had then gone to Congress but GOI continued to be reassured that De-

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iraq, Vol. I. Confidential; Priority; Exdis. Niehuss sent the substance of this telegram to Kissinger on May 30, for inclusion in the President's Friday briefing. (Ibid., Box 1231, Harold H. Saunders Files, Chronological Files, 5/16/74–5/31/74)

<sup>2</sup> Dated May 30. (Ibid., RG 59, Central Foreign Policy Files, D740136–0519)

partment's handling of Kurds reflected USG position. Miss Bakr said GOI doubts about U.S. position on Kurds and U.S. position on Arab-Israel question have been only obstacles in Iraqi eyes to resumption diplomatic relations. On Kurdish problem, GOI felt U.S. was in position to prevail upon Iran to cease giving aid to Kurdish rebels, but nonetheless, she reiterated, GOI most gratified by Department's action. She did not mention possible Kurdish representations at UN. Regarding Arab-Israel problem, she said Iraq's position well known to U.S. but that in diplomacy "anything is possible"—citing recent Iraqi resumption relations with UK and West Germany. I asked whether successful conclusion U.S.-engineered agreement between Syria and Israel would change GOI position, but Miss Bakr said she not authorized go beyond what she had said and furthermore that she did not wish speculate personally on what GOI reaction will be to Syrian-Israel accord.<sup>3</sup>

4. Regarding Kurdish question, I reiterated U.S. position that it was an internal matter and one which we hoped Iraq could solve peacefully. I did not respond to her comment on possibility U.S. persuading Iran to stop aid to Kurds.

5. Regarding Arab-Israel question, I said Dr. Kissinger had performed an extraordinary act of diplomacy which should be applauded by Arabs as most constructive development in whole history of Arab-Israel conflict and should foreshadow a new era of productive relationships with the U.S. throughout the Arab world. As for Iraq, I said our position remained that we prepared at any time discuss resumption relations. Miss Bakr again said she not authorized to comment.

6. *Comment:* My local staff tells me there are many rumors about that high level dialogue being conducted between U.S. and Iraq outside of Iraq will result in reopening Embassy here.<sup>4</sup> These seem the typical Baghdad rumors I remember from my previous assignment but Miss Bakr's approach could be at least the beginning of a signal that Iraqis want to resume relations.

7. I would appreciate receiving instruction for responding to future approaches of this nature or to a clear proposal that we resume.<sup>5</sup>

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<sup>3</sup> After an announcement on May 29, Syrian and Israeli military representatives signed a disengagement agreement on May 30 following extensive negotiations conducted by Kissinger.

<sup>4</sup> See Document 252.

<sup>5</sup> The Department replied in telegram 121823 to Baghdad, June 10, responding to Miss Bakr's specific points. It also noted the Iraqi initiative was interesting and encouraging since it was the first time the Iraqis had raised the subject of diplomatic relations since the 1967 rupture. The United States was ready to discuss the resumption of ties at any time and at any pace the Iraqi Government desired. (National Archives, RG 59, Central Foreign Policy Files, D740147–1137)

Specifically, I should have in hand U.S. position on confiscation Embassy property and any other serious outstanding issues between U.S. and Iraq.

Gatch

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**252. Telegram From the Mission at the United Nations to the Department of State<sup>1</sup>**

New York, June 5, 1974, 2327Z.

2065. Subj: Iraqi-US Relations. For the Secretary From Amb. Scali.

*Summary:* Iraqi Amb El-Shibib, replying to your confidential comments to him at UN luncheon Apr 15,<sup>2</sup> said he authorized assure you that Iraq (1) wants continue secret high-level dialogue; (2) will reciprocate any positive USG action; (3) desires increased pragmatic business-like economic relations with US firms and (4) will not seek to block or conspire against Egyptian-Syrian peace moves even despite adverse Iraqi propaganda. *End summary.*

1. El-Shibib met with me alone at USUN Mission to relay what he termed "not startling info but our sincere readiness to begin serious dialogue" in answer to your initiative April 15 when you sat beside him at SYG luncheon. El-Shibib said his govt particularly interested in and appreciative of your assurance that USG not interested in encouraging separatist movement in Iraq. This is viewed by his govt as a very positive and helpful attitude on part of USG. However, he said USG cld reinforce this positive attitude by encouraging Iran, which Iraq believes had exceedingly close ties with USG, to follow up easing of border difficulties by serious, meaningful negotiations for permanent settlement of problem. Unless USG puts some pressure on Iran, Tehran govt will feel it has leeway to create continuing problems even though Iraq is encouraged by your comment that USG is not encouraging Barzani rebel movement.

2. In answer to your question about Iraqi relations with Sov Govt, Iraqi Govt wants you to know it is not client of anyone and has not closed its doors to any state. El-Shibib noted that Iraq has restored rela-

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-154, Iraq, 10 March 1974–11 January 1977. Secret; Nodis; Cherokee.

<sup>2</sup> No record of the luncheon has been found.

tions with all WE govts, including UK and West Germany, and that its policy is to cooperate economically with all nations. El-Shibib said American companies are beginning to do “good business with Iraq.” Specifically, he noted that an American firm had been given the biggest contract to develop deep-water port in south Iraq and that three American companies are among seven foreign firms invited to submit bids for gas liquifying project. Economically, no doors are closed to the US. Iraq is deeply interested in practical, pragmatic cooperation with USG and hopes to be able to increase such economic relations.

3. El-Shibib said his govt recognizes that important political differences will continue with USG in ME area with little prospect that either side can convince the other of justice of its case in near future. But perhaps by establishing a dialogue, USG and Iraq can limit their differences. Iraq is very willing to do this.

4. Whenever there is a positive sign of action from USG, he said, it will be reciprocated by the Iraqi side just as positively. He cautioned, however, against expecting dramatic developments quickly because any sudden changes would be counter-productive in too short a period of time. El-Shibib said negative Iraqi radio and press reaction to Syrian-Israeli disengagement agreement should not be looked on as overly important. Iraq must adopt such an ideological position in view of its traditional attitude but, he said, Iraq will not overthrow or seek to conspire against governments seeking to cooperate with USG. The Iraqi Govt’s attitude should not be viewed as being as negative as its propaganda. Further, whatever “negative” positions Iraq advances diplomatically shld not be overblown in the ME context. El-Shibib mentioned Iraqi-Iranian relations three times. His main point was that Tehran cld be pressed by the USG to be far more reasonable. If Iran’s attitude became more cooperative as a follow-up to the UN SC border compromise, Iraq wld note this as a positive result. In this connection, he acknowledged that US had already played a helpful role in negotiating a compromise via UN SC to ease border tensions.<sup>3</sup>

5. The time appears at hand, El-Shibib said, for Iraq and Iran to move farther and arrive at an equitable settlement of longstanding differences. El-Shibib said he wld not forget your comment about how US and Mexico’s border was a peaceful one because it had been agreed to with the objective of making it fair for both sides.

6. In answer to his comments, I noted USG had already played leading role in encouraging Iran to compromise its differences with

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<sup>3</sup> In UN Security Council Resolution 348, adopted unanimously on May 28, Iran and Iraq agreed to withdraw their armed forces from the border and resume negotiations for a peaceful settlement of all bilateral issues. See *Yearbook of the United Nations*, 1974, pp. 252–256.

Iraq. Iraqi Govt shld not expect Iran to listen obediently every time USG advised particular course because, as cld be seen from recent Iranian economic moves, Iran frequently takes positions it believes in its own national interests regardless of views of friends. However, I said that USG believed it to be in best interest of region for Iraq–Iran Govts to follow up UN compromise with active negots to settle outstanding issues. Actions as well as words of Iraqi Govt will be watched in weeks ahead to form our own judgment about whether actual Iraqi policy less negative than propaganda which at times of incendiary nature. USG fully recognizes, I said, that propaganda level is no reliable index to what true govt position is in ME particularly.

7. Accordingly, I told him I would relay his views to you, with confident belief you would wish to continue highest-level dialogue. I cautioned against any leaks to any govt or media of discussions saying USG would regard this as sign Iraq not really interested. On US side, I said you would wish to confine those knowing of dialogue only to President and me to guarantee maximum candor, flexibility and results satisfactory to both sides.

8. El-Shibib said he was sure his govt wanted to keep talks confined to Prime Min, Fon Min, and him only. He said he wld be returning to Baghdad Monday or Tuesday<sup>4</sup> and would be happy to relay any additional message and would be prepared to wait few days if necessary to hear from you.

Scali

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<sup>4</sup> June 10 or 11.

**253. Telegram From the Department of State to the Mission at the United Nations<sup>1</sup>**

Washington, June 8, 1974, 2209Z.

121821. Subject: US-Iraqi Relations. Ref: USUN 2065.<sup>2</sup>

1. You should inform Ambassador El-Shibib that you have given Secretary full report of his conversation with you. Secretary has asked you to convey to the Ambassador his appreciation for this constructive contribution to their high-level dialogue. Secretary welcomes Iraqi readiness to continue this dialogue which he feels will be useful to the interests of both our countries. Secretary wants to reaffirm to the Ambassador everything that he said to him during their conversation at luncheon April 15. Secretary wants Ambassador to know that USG is prepared to entertain sympathetically any specific suggestions Government of Iraq may wish to convey to him. As Ambassador El-Shibib knows, Secretary will be travelling over next few weeks. When he returns from his travels around July 10, Secretary would like to invite Ambassador El-Shibib to Washington for a meeting, which can be arranged without publicity to maintain the secrecy of this dialogue if that continues to be the Ambassador's desire.

2. You should also inform El-Shibib that Foreign Ministry in Baghdad has made guarded approach to our Interests Section there (para 3, Baghdad 338,<sup>3</sup> which we are repeating to you) and that we plan make low-key reply emphasizing USG has no desire become involved in Kurdish problem and hopes it can be resolved peacefully, and stressing our intention to pursue our efforts to achieve peace in Middle East. You should assure El-Shibib that our reply to Foreign Ministry is general and non-committal and is in no way intended to cut across his dialogue with Secretary, which will be known only to most senior level of USG.<sup>4</sup>

**Kissinger**

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-154, Iraq, 10 March 1974–11 January 1977. Secret; Niact; Immediate; Nodis; Cherokee. Drafted by Atherton, cleared by Sisco, and approved by Kissinger.

<sup>2</sup> Document 252.

<sup>3</sup> Document 251.

<sup>4</sup> In telegram 2112 from USUN, June 10, Scali advised Kissinger that he had conveyed the message to El-Shibib, who responded that he was certain his government would be interested in continuing a confidential high-level dialogue. El-Shibib noted that although he was being reassigned to Bonn, he would be available to come to Washington if designated as a representative. (Library of Congress, Manuscript Division, Kissinger Papers, Box CL-154, Iraq, 10 March 1974–11 January 1977) In telegram 156821 to Bonn, July 19, Kissinger sent a message for El-Shibib that he was ready to receive whomever the Iraqi Government chose to send, noting that the talks could be confidential. (Ibid.)

**254. Memorandum From the President's Assistant for National Security Affairs (Kissinger) to President Nixon<sup>1</sup>**

Washington, June 24, 1974.

**SUBJECT**

Fiscal Year 1975 Support for the Kurds

You initiated financial and material support to Mulla Mustafa Barzani and the Kurds in July 1972 and subsequently reaffirmed and increased our assistance.

The Kurds continue to struggle against an economic blockade, increasing air strikes and shelling from heavy artillery, and troop assaults of larger and larger scale. Our aid, coupled with much greater support from Iran, has helped the Kurds to resist Iraqi efforts to subdue them.

CIA proposes that \$8.06 million be authorized for Fiscal Year 1975 to support the Kurds.<sup>2</sup> The bulk of this amount, [*less than 1 line not declassified*], would continue a monthly cash subsidy at the regular monthly rate which obtained during the past year (although the cost of purchasing Iraqi dinars is increasing); [*less than 1 line not declassified*] would be used to purchase arms and ammunition; [*1½ lines not declassified*].

This amount would maintain support for the Kurds at about the same level as this Fiscal Year. Funds were not included in CIA's budget and must be drawn from the Agency Reserve.

***Recommendation:***

That you approve \$8.06 million from the Agency Reserve to support the Kurds in Fiscal Year 1975.<sup>3</sup>

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<sup>1</sup> Source: National Security Council, Nixon Intelligence Files, Subject Files, Iraqi Kurds, Box 8, 7 April 1969–12 June 1974. Secret; Sensitive; Outside System. Sent for action.

<sup>2</sup> Attached but not printed is a May 31 memorandum from Colby to Kissinger with this recommendation.

<sup>3</sup> Nixon initialed his approval on June 24. According to a memorandum by Rob Roy Ratliff, the 40 Committee was informed on June 25. (National Security Council, Nixon Intelligence Files, 303 Committee/40 Committee, NSCIC 1969–74, Box 7, 40 Committee Meetings (Approved) Minutes 1974, RMN)



**255. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, June 25, 1974, 0820Z.

397. Subject: US-Iraqi Relations. Ref: Baghdad 338, State 121823.<sup>2</sup>

1. *Summary*: Foreign Office discussions indicate Iraq continues be interested in normalization relations with U.S. but at gradual pace. Arab-Israel problem and U.S. “acquiescence” to Iranian support for Kurds remain chief obstacles to resumption of relations. Resumption of US-Algerian relations will have favorable effect on U.S.-Iraqi relations. Appointment of Dr. Taqa as new Foreign Minister may also be a plus.

2. I have had two conversations with Miss Baqr regarding U.S.-Iraqi relations since receipt State reftel. On June 22 I conveyed substance para 3 State reftel and Miss Baqr took careful notes, saying that she would pass on U.S. position to Dr. Taqa who was then Undersecretary in Foreign Ministry. In subsequent discussion about Arab-Israel problem during first meeting with Miss Baqr, I remarked that whatever Iraq thought about Syrian-Israeli disengagement agreement, there had been a dividend for Iraq—i.e. the release and safe return to Iraq of ten Iraqi POWs held by Israel (these men have been given red carpet treatment including being received by President Baqr with attendant extensive publicity).

3. Miss Baqr asked if U.S.-Algerian relations had been restored. I said I had no official confirmation but had seen press statements to that effect. Miss Baqr said Iraqi leadership had great respect for and confidence in judgment of Boumediene. Algerian action would tend to influence Iraqis in direction of resuming relations.<sup>3</sup>

4. Miss Baqr then reverted to Kurdish issue saying Iraq still believes U.S. could prevent Iran from aiding Kurdish rebels if it wished. I observed that U.S. ability to influence the Shah was limited to say the least. When she expressed polite disbelief, I said Shah acted independently in his own perceived interests, citing Iranian seizure Tunbs and Abu Musa in face of U.S. advice to contrary. Miss Baqr said that U.S. nonetheless was “acquiescing” in Iranian support for the Kurds. She added however that GOI still gratified at US refusal to deal with representatives of Kurdish rebels in U.S.

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<sup>1</sup> Source: National Archives, Nixon Presidential Materials, NSC Files, Box 603, Country Files—Middle East, Iraq, Vol. I. Confidential; Exdis.

<sup>2</sup> See Document 251 and footnote 4 thereto.

<sup>3</sup> The United States and Algeria restored diplomatic relations on November 12.

5. Miss Baqr then informed me she is shortly leaving for assignment to Iraqi Embassy in Rome.

6. On June 23 Dr. Taqa's appointment as Foreign Minister was announced. I called on Miss Baqr on June 24. She reported that Taqa had appreciated receiving clear statement U.S. position, but had indicated that patience would be required before obstacles could be overcome. Miss Baqr said Taqa wanted U.S. to know that Iraqis have faith in sincerity and good will of President and Secretary Kissinger. Miss Baqr made personal observation that Taqa's appointment was good omen for future U.S.-Iraqi relations.

7. She then said Taqa wanted to establish new channel of communication for me and Arthur Lowrie on matters of substance. We are instructed to deal with Munim al-Zubaidi in Foreign Ministry. Al-Zubaidi will be briefed on outstanding issues or other matters of interest between U.S. and Iraq and will be authorized speak on Taqa's behalf.<sup>4</sup>

**Gatch**

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<sup>4</sup> Lowrie reported in telegram 457 from Baghdad, August 2, that a new channel of communication had been opened to the Interests Section through the Foreign Minister's office. (National Archives, RG 59, Central Foreign Policy Files, D740212-1131)

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## **256. Telegram From the Department of State to the Embassy in Iran<sup>1</sup>**

Washington, August 5, 1974, 2144Z.

170249. Subject: Iraqi-Arab States Relations. Reference: Tehran 6206.<sup>2</sup> Beirut pouch Baghdad.

1. We can well understand Iranian suspicions of Iraq, but there is some divergence in their views of the situation and our own current as-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740213-0945. Secret; Exdis. Drafted by Mary H. Maughan (NEA/ARN); cleared by Korn, Naas, Saunders, Sober, and Albert A. Vaccaro (INR/RNA/NE); and approved by Atherton. Repeated to Amman, Beirut, Cairo, and Moscow.

<sup>2</sup> In telegram 6206 from Tehran, July 28, the Embassy conveyed the views of the Shah and his visitor, King Hussein of Jordan, that Iraq's efforts to improve relations with the Arab countries and loosen Iraqi ties to the Soviet Union were insincere and represented a tactical move to divert attention from Iraq's internal problems. Both requested the U.S. view of the matter. (Ibid., D740204-1125)

essment. It appears to us that Iraq is currently genuinely interested in improving its relations with other Arab states, and with West as well. Iraqi Government apparently wants to break out of its isolation and to move, albeit gradually, into a position where it can again have some voice in regional affairs.

2. We believe such movement is in US interest and our inclination would be to encourage expansion of Iraqi contacts with Egypt, in hope that this will lead to a lessening of Iraq's hostility toward US Middle East initiative. Any move that would ease Iraq more closely into line with the more moderate elements of the Arab world can only help to stabilize the area and make our task in Arab-Israeli negotiations easier. As regards Iraqi desire to loosen ties with USSR, this has been evident for more than a year and is obviously a development we welcome. We would hope that Iraqi-Egyptian rapprochement would further reinforce this trend. You may be aware that within past year Iraq has actively sought expanded commercial ties with US.

3. You are authorized to share above analysis with Alam.<sup>3</sup> Admittedly, time span of this development is too brief to draw hard and fast conclusions and we shall continue to take careful look at developments in Iraq. We recognize that Soviets remain a major factor in Iraq and that Iraqi policies remain far from amenable to Iranian and U.S. interests, and would not want our analysis to be interpreted as suggesting we think there is any cause for complacency about Iraqi situation. We welcome GOI views and assessments and wish continue useful dialogue on this subject which is of mutual interest.

**Kissinger**

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<sup>3</sup> Helms asked Sisco in telegram 6521 from Tehran, August 7, if these views actually represented what the Secretary and he wished to be passed to Alam, since they would be unpopular with the Iranian Government. (Ibid., D740216–0868) Sisco responded in telegram 172922 to Tehran, August 8, that this U.S. view should be presented unless Helms thought there was an overriding reason not to. He added that Helms should point out that the assessment was tentative and cautious, and that although it differed from Iran's it was being shared in the context of close U.S.-Iranian ties and mutuality of interests. The United States fully recognized the prominent role the Soviets continued to play in Iraq and the potential they had for mischief in the area. (Ibid., D740217–1154)

## 257. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, August 9, 1974, 0825Z.

479. Subject: U.S.-Iraqi relations.

1. Schizophrenic nature of Iraqi approach toward U.S. is more marked than ever. On one hand American business representatives, journalists and other private groups continue to receive red carpet treatment. Most striking recent example was July 29–August 3 visit of university group from Raleigh–Durham area (State 152352).<sup>2</sup> GOI paid all expenses of 14 member group including part of international travel. University and other officials gave group briefings on Kurdish problem and Iraq's economic development. GOI granted an additional 45,000 dollars to Shaw University. (Despite such hospitality, none of Iraqi hosts felt able to attend small reception I gave for group.) Other recent examples include First National City Bank group for whom new President of Rafidain Bank gave dinner which all leading bankers attended. Almost equally warm reception given this week to Lummus rep whose company being urged to bid on 200 million dollar petrochemical complex; Bendix Corp. reps who requested to come and bid on 8 million dollar turn-key spark plug factory; and rep of Vosbeck, Vosbeck, Kendrick and Redinger, who urged to submit bid for long term consulting contract.

2. On dark side is continuation of anti-American propaganda, prohibition on U.S. firms participating in trade fair, absence of any publicity on above mentioned activities (when contracts concluded with U.S. firms, they referred to media only as "foreign firms"); and continual harassment of USINT local employees by secret police.<sup>3</sup> In addition, although we now have good access to most state organizations on commercial matters, direct contacts with Ministries on other matters remain very circumspect. My attempts to expand Iraqi Government contacts by requesting to call on Ministry of Planning official and Tariq

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740220–0235. Confidential.

<sup>2</sup> Telegram 152352 to Amman, Beirut, Cairo, and Baghdad, July 5, advised that a group of representatives from universities in the Raleigh, North Carolina area were en route to Egypt, Iraq, Jordan, and Lebanon for a 6-week study project. (Ibid., D740189–0915)

<sup>3</sup> For example, the Interests Section reported in telegram 678 from Baghdad, October 5, that for the second time in a year its driver had been called in and abused by the Iraqi secret police. (Ibid., D740283–0668)

Aziz, editor of *Ath-Thawra* (to give copy of Assistant Secretary Atherton interview)<sup>4</sup> have so far elicited no response.

3. *Comment*: Gap between GOI policy of expanded commercial relations and private contacts with U.S. and rigid Baath ideological view of U.S. has widened considerably during past few months. In circumstances, I believe we should continue to strongly urge private American businessmen and other groups to establish and expand links with Iraq, while we, as USG, ignore affronts and propaganda attacks that GOI still finds necessary to present as its official posture.

Lowrie

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<sup>4</sup> Possibly a reference to Atherton's testimony on August 7 before the Subcommittee on the Near East and South Asia of the House Foreign Affairs Committee on U.S. relations with the nations of the Arabian Peninsula-Persian Gulf region. His prepared statement is printed in the Department of State *Bulletin*, September 2, 1974, pp. 336–342.

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**258. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, August 22, 1974, 2255Z.

WH42553. Reference: Teheran 930.<sup>2</sup>

Your message outlined the situation and likely developments very clearly. As you know, only shortly thereafter we received a message from Barzani predictably appealing for more help.<sup>3</sup>

When we increased our total contribution and added the special [*less than 1 line not declassified*] contribution for refugee relief, we concluded that our effort had reached a level which could not be further increased in any significant way without very high risk of disclosure. On the basis of your cable and the Barzani request, we reassessed the whole picture again and came to the same conclusion. We are about at the limit and to go farther would risk all that has been done so far.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 8/74. Secret; Sensitive; Exclusively Eyes Only. Sent with the instruction to deliver at opening of business.

<sup>2</sup> Not found.

<sup>3</sup> See Document 250.

Nonetheless, we recognize that the Kurds do need help, and we want to do what we can, not only because they continue to keep worthwhile pressure on the Baath government but also to evidence our continuing support for the Shah. As you are aware, during General Nasiri's visit, we did arrange to shift some resources which had been programmed for delivery of AK-47's and associated equipment, and in this way made about [*less than 1 line not declassified*] available for procurement of anti-tank weapons. CIA is helping the Iranians locate the weapons for purchase. We could not be helpful, however, with the anti-aircraft weapons. The equipment required to meet the threat of high-flying bomber aircraft simply is just too big (would require prime movers to transport), too complicated and too expensive to pursue.

We are working on the possibilities for increasing media focus on the war and its effects on the Kurds. We also are looking into additional refugee relief through overt means and hope to be able to generate some support for the Iranians in this effort. We will keep you advised of progress.

Please forgive the delay in response. As you can imagine, we were heavily occupied, but want to assure you that your concerns were recognized and being acted upon. Dick Kennedy continues to follow this closely.

Warm regards.

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## 259. Memorandum of Conversation<sup>1</sup>

Washington, August 26, 1974.

### PARTICIPANTS

President Ford

Dr. Henry A. Kissinger, Secretary of State and Assistant to the President for National Security Affairs

Lt. General Brent Scowcroft, Deputy Assistant to the President for National Security Affairs

Kissinger: The Kurds are conducting a guerrilla war inside Iraq. If Iraq weren't tied down, they could put more into Syria. [Described the program.]<sup>2</sup>

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<sup>1</sup> Source: Ford Library, National Security Adviser, Memoranda of Conversations, Box 5. Secret; Nodis. The meeting was held in the Oval Office.

<sup>2</sup> Brackets in the original.

The danger is the Kurds will collapse. We have exhausted our [*less than 1 line not declassified*] equipment. [*2 lines not declassified*]

President: What does this do to our argument about supplying out of active units?

Kissinger: The numbers aren't that significant.

President: Let's go ahead.

Kissinger: The Iranians have asked about sending troops in. The CIA guy is opposed. We said it is their decision<sup>3</sup>—I favor it but I hate to be on record because of all the leaks.

President: I read that the Iraqi army is unhappy. Are the Kurds reliable?

Kissinger: Yes. It is their existence at stake.

President: [*1 line not declassified*]

Kissinger: [*1 line not declassified*]

[Omitted here is discussion unrelated to Iraq.]

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<sup>3</sup> Telegram 24914 from Tehran, August 24, informed Kissinger of Barzani's request for Iranian troops with anti-tank and anti-aircraft weapons to join his forces. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 8/74) Kissinger replied in backchannel message WH42555, August 24: "This must be basically an Iranian decision. We will understand whatever they decide to do." (Ibid., Outgoing 8/74)

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## 260. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, August 29, 1974, 1028Z.

564. Subject: U.S.-Iraqi Dialogue. Ref: State 186614; Baghdad 543.<sup>2</sup>

1. *Summary:* ForMin considers "high level" dialogue with U.S. "premature" in view unchanged USG policies toward Arabs and in

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iraq—State Department Telegrams, To SECSTATE—NODIS. Secret; Priority; Exdis—Distribute as Nodis.

<sup>2</sup> Telegram 186614 to Baghdad, August 24, instructed Lowrie to give the Foreign Minister a message from Kissinger that he was interested in pursuing high-level discussions, since El-Shibib's arrival in Bonn was delayed. (Ibid., From SECSTATE—NODIS) In telegram 543 from Baghdad, August 27, Lowrie sent a preliminary report on his meeting with Foreign Minister Taqa. (Ibid., To SECSTATE—NODIS)

support of Israel and Iran. Nevertheless, improvement in some areas continuing. Iranian “aggression” threatening peace of area and USG seems involved. Despite negative reaction we should encourage continuing exchange of substantive information. *End summary.*

2. Foreign Minister Taqa received me for almost one hour August 26 when informed that I had message from Secretary. He listened very carefully and expressed appreciation. He then engaged in half-hour monologue on why suggestion for high level meeting with Secretary was “premature.” He emphasized that he was speaking personally because he had obviously not had time to consult his superiors. He believed following represented current attitude of GOI toward USG:

3. Taqa said Ambassador Shibib’s contact with Secretary in New York in April had been accidental since they were seated next to each other at SecGen Waldheim’s luncheon.<sup>3</sup> Nevertheless, something positive had come out of that meeting regarding stated USG policy toward Kurdish conflict and GOI had appreciated USG stand during Security Council debate. However, ForMin recalled that Shibib had told Secretary that deep differences separated U.S. and Iraqi policies in Middle East and these would have to be narrowed before improvement in bilateral relations could take place. ForMin then recalled meeting last January with Senator Abourezk and me (Baghdad 003)<sup>4</sup> in which he had emphasized that GOI had nothing against U.S. but only USG policies toward Arabs, and that to extent there were positive changes in these policies, GOI would respond. He also mentioned message to him of October 1972 from then Assistant Secretary Sisco suggesting dialogue and recalled that his answer then was that differences were too profound. He agreed that different analyses can arrive at varying conclusions about extent to which USG Middle East policy has changed recently, but as far as GOI concerned, changes were not yet basic and GOI had no confidence whatsoever that Israel would withdraw from all occupied territory.

4. Taqa then stated in strong terms that possibility of improvement in bilateral relations was now complicated by second problem: Iranian assistance to Barzani and Kurds which is seriously threatening peace in the area. If USG does not support what the Shah is doing, he said, it is difficult to believe that USG is unaware of it, and possibly USG is providing indirect assistance to Kurds through the Shah. Taqa said USG response to Shibib on this subject had been satisfying, but GOI strongly

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<sup>3</sup> See Document 252.

<sup>4</sup> Telegram 3 from Baghdad, January 6, reported the meeting between Senator James Abourezk and Taqa, in which the latter explained the Iraqi position on the Middle East settlement. (National Archives, RG 59, Central Foreign Policy Files, [no film number])



believes Shah has aggressive intentions against Iraq. It is difficult not to conclude that Washington knows of and supports Shah's attitude. In answer to my question about what was contained in MFA note of August 25 on Iranian "aggression" mentioned in press ForMin said he would brief me on that.

5. He concluded his "personal" reaction to Secretary's message by saying that for above two reasons, he frankly believed high level dialogue was "premature." He feared his meeting with the Secretary would be "full of bitterness and sharp exchanges." Apparently not wishing to go too far, Taqa then emphasized that GOI had nothing against U.S., only certain of its policies and this was evidenced by commercial dealings and fact that highest levels of GOI now seeking medical care in U.S. when they could go anywhere in world. Furthermore, when he is instructed to personally take up matter with me, such as President's wife's trip, this also meant something. He said GOI approved in principle of usefulness of dialogue with all countries and that we were in effect having dialogue now. It was, however, "premature" to have high level dialogue.

6. With regard to confidentiality of contacts Taqa said GOI policy was to be strictly above board and it would not be concerned if such meetings become known. He cited fact that when GOI signed contracts with American firms it announced it publicly. (This statement is simply not rpt not true. I can recall no case in which GOI publicly announced that contract signed with an American firm. Normal euphemism is "foreign" firm. ForMin's sensitivity on this point does, I think, indicate great caution that he or others must use in their dealings with USG lest they become vulnerable to charge of being "pro-American.")

7. Taqa then turned to current situation on Iranian border which was subject of MFA note to diplomatic missions August 25 (not including USINT). He said Iran has concentrated 3 armored divisions, 2 infantry divisions and 2 infantry brigades along the entire length of border. These troops as well as Iranian Air Force are on full alert. He noted that Iran had not denied reports of alert but related it to Iraqi military actions. This is ridiculous, he said, since Iraqi force engaged in internal action. Taqa said with some feeling that "if Shah or anyone else has idea of new Bangladesh in Iraq he is very mistaken." Barzani is not representative of Kurds, he is in his last days, and those who are betting on him are betting on losing horse. Taqa said that Istanbul meeting had been result of Iraqi initiative and was to resolve all outstanding problems. Negotiations were proceeding "not badly" when Iranian troop concentration began and attacks hardened. In response to my question about alleged Iraqi incursions on August 4 and 8, Taqa said there had been no Iraqi incursions and that if they occurred at all, there were very likely provocative acts by Kurds. Kurds had, he said, previ-

ously engaged in this kind of activity wearing Iraqi Army uniforms on Turkish border.

8. In closing, Taqa again emphasized that he had given me his personal views and that it is possible that the official reaction to Secretary's message might be different in which case he would communicate it to me.

9. *Comment:* Although flattered, Taqa appeared to be apprehensive that his substantive communications channel with USINT had suddenly grown into suggestion for meeting with the Secretary. Since relations with USG known to be subject of intra-party conflict, my reading is that Taqa very fearful of getting out in front on this issue. Current serious difficulties with Iran obviously made it even more difficult to react positively since same elements within regime apparently remain convinced that USG aiding Kurds, directly or indirectly.

10. In view his strong remarks, it would be most helpful if I could convey USG position on Kurdish conflict to ForMin including explicit denial of any USG assistance. Despite Taqa's negative reaction to "high level" dialogue, I strongly recommend that Department encourage use of this channel to ForMin's office for exchange of substantive information.

Lowrie

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**261. Telegram From the Consulate in Tabriz to the Department of State<sup>1</sup>**

Tabriz, September 4, 1974, 1235Z.

20. Beirut pass Baghdad. Subj: The Kurdish War in Iraq.

*Summary:* The long heralded Iraqi invasion of the Barzani country has begun. The Iraqi strategy apparently is to drive a wedge from the plains along a route roughly parallel to the Iranian border until they reach the Turkish border and then fortify this line to prevent the inflow of Iranian supplies and the outflow of Kurdish civilians. The civilians would then have to be fed out of increasingly limited Kurdish supplies rather than evacuated to Iran. Hampered by their own lack of anti-tank and anti-aircraft guns, the Kurds have adopted a strategy of fighting in-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740244-1134. Secret. Repeated to Ankara, Tehran, Beirut, Adana, Khorramshahr, and USCINCEUR.

creasingly harder delaying actions while maintaining a steady stream of attacks in the rear of the main battle areas and hoping to bleed the Iraqi Army to a level which will be intolerable and will eventually force either a change of policy or of the government. The initial Iraqi attacks have succeeded after hard fighting and one of two main Iranian supply points has ceased its supply function. The refugee flow has increased and will certainly increase further in the next few weeks. Iranian troops are on alert along the border but their intentions are not clear.<sup>2</sup> These are the principal results of recent talks with GOI officials, foreign correspondents and Barzani Kurds encountered in western Iran close to the combat area. *End summary.*

1. Consul spent period August 25 to 28 in western Azerbaijan. Contacted during this period were: Peter Sturken, wounded US journalist who was recovering in Piranshahr Hospital, two French journalists who had just come from the fighting, several Pish Merga officers, Dara Tawfick, General Secretary of Information, Culture and Youth of KDP, and numerous Iranian officials of whom General Ot-mishi, the Governor of Sardasht, was the most helpful. From these talks the following picture emerged.

2. Iraqi Army: According to Kurds the Iraqis have six regular divisions and two specialized divisions (one mountain) plus several independent battalions engaged in Kurdish war. Their equipment is considerably superior to that available in previous war and they are making full use of Soviet supplied aircraft, mostly older MIGs and T-22 bombers, and new T-55 tanks. They have adopted tactics of attacking in large force and do little small unit movement. They rarely maintain an attack in the face of heavy fire, even when they considerably outnumber the defending force, and rely on air and artillery strikes before renewing the attack. Iraqi Army pay is regular and there is far less of a problem with desertions than formerly. Kurds claim to have [heard] Soviet advisors on the radio and believe Soviet pilots may be flying T-22's but they have no proof. Kurds state Iraqis are fighting harder and better than in previous war and have obviously learned some lessons.

3. Goal of Iraqi strategy appears to be cutting off Kurdish supply line to Iran by creating fortified line parallel to Iranian border. Two divisions have attacked north from Sulaymaniyah and have reached Qalat Dizah which fell last week. This, according Governor of Sardasht

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<sup>2</sup> In telegrams 631 and 666 from Baghdad, September 20 and 30, the Interests Section passed along reports that Iranian Army units were giving heavy artillery support to the Kurds. (Both *ibid.*, D740266–1048 and D740276–1187) Telegram 768 from Baghdad, November 4, reported that the Shah admitted sending troops across the border to support the Kurds. (*Ibid.*, D740317–0576)

General Otmishi, has cut supply line from Sardasht. Only supplies now moving from Sardasht are for approximately 10,000 refugees stacked up on Iraqi side of border and waiting to move into Iran.

4. Second Iraqi force of three divisions apparently attacking north-east to Rawanduz which was occupied about August 23 after two week long battle around mountain commanding Ali Beg Pass outside town. According to Mr. Sturken the Kurds held their positions during latter battle through severe pounding and twice turned back Iraqi armored attacks when they scored direct hits on Iraqi tanks with single field piece. Kurds had only thirty rounds for the gun and when this ran out they were forced to abandon position. Iraqis securing road communications by building company size fortifications every half mile or less. Positions protected with Soviet type claymore mines, barb wire and infantry weapons and receive rapid air cover and air dropped flares when attacked at night, making them tough nuts to crack. Iraqis probably planning on continuing drive toward Barzan, presently transfer point where supplies trucked from Iran are switched to animal transport for westward movement into Kurdish area.

5. Iranian inputs: Kurdish contacts confirmed that Turkish border completely closed but that supplies moving freely from Iran. Supplies are mostly food, medicines, and clothes, although some ammunition and small quantity of anti-tank and anti-aircraft guns were recently transferred to Kurds. Piranshahr (shown on some maps as Khaneh) is now main supply point on Iranian side. In one day around Piranshahr I counted 12 two and half ton trucks, 15 vehicles of Land Rover three-quarter ton truck size, and half a dozen sedans belonging to Barzani Kurds (usually identifiable by lack of license plates and blue headlights and chrome markings). Quantity of Iranian supplies to Barzani said to be increasing but arms supply apparently still limited.

6. Kurds claim 70,000 refugees now in Iran with another 20,000 waiting on border to cross into Iran. Iranian papers have published similar figures. I tend share skepticism of Governor Otmishi and, based on what I have seen and been told by other GOI contacts, would agree with him that total probably not above 40,000 to 50,000 with 10,000 or more likely to be added soon. However, if fighting continues at present pace figure of 70,000 or more might be reached before winter.<sup>3</sup> Refugees mostly women, children and old men. Many Pish Merga circulate in and out of Iran but do not remain in camps. All refugees supposedly accommodated in Red Lion and Sun (Iranian Red Cross) camps previously reported. Kurds have their own doctors and teachers with them. Director of Education in Rezaiyeh commented that Kurds doing

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<sup>3</sup> Telegram 25 from Tabriz, September 25, confirmed the Iranian figure of nearly 80,000 Kurdish refugees in Iran. (Ibid., D740269–1141)

own teaching in Kurdish and that MinEd supplying only basic supplies plus two teachers requested by Kurds to teach Persian to Kurdish teachers. Two new camps are said to be under construction in west Azerbaijan for winter with one room allocated for each family. Hospitals as reported previous tels still functioning with both Iranian and Pish Merga doctors. Iranians obviously sensitive that degree of involvement not become too public. Permission needed to enter camps and Kurds stated that they were not allowed to circulate further east than town of Rezaiyeh.

7. Iranian military on alert throughout border area. Army units remain in camps but vehicles are dispersed, camouflage netting is in use and limited number of light anti-aircraft guns and light field pieces are set up around bases. Tabriz Air Base on fifty percent alert and routine flying performed with planes fully armed. Rumor claims additional troops have moved from Zanjan and Qazvin to border area. Iranian intentions may be purely defensive in view clashes further south and large numbers Iraqi troops now operating close to border. At present there is no, rpt no, deployment indicating Iranian offensive and alert may simply be precautionary measure.

8. Kurds: Given disparity of equipment Kurds realize they cannot hold fixed positions. According one contact Barzani commanders are instructed how many casualties they can afford in holding any given position and are thus fighting delaying action with resistance becoming increasingly strong as Iraqis push north. At same time they are maintaining numerous forces along routes taken by Iraqis and are continuing small attacks to keep Iraqis from feeling secure anywhere in Kurdistan and force them tie up increasing numbers in guard duty. Kurds hope to bleed Iraqis at minimum rate of 30 killed per day (9,000 per year plus wounded) and think this may eventually undermine will to fight and bring about fall of Baghdad government.

9. Foreign correspondents, Iranians, and personal observations all agree that Kurdish morale extremely high. According to doctor and Governor Otmishi, Kurds leave hospital as soon as they can move and return to front lines. More volunteers are supposedly available to join Pish Merga than there are guns to supply them. Kurds said to be far more unified than in past with heavy movement of urban educated Kurds to Barzani. Examples abound: in last war Pish Merga had half a dozen doctors, this time they claim 92 are serving with army in Kurdistan and another eight to ten are in camps and hospitals on Iranian side. Gun that gave such good service at Rawanduz was manned by crew of six artillery officers, formerly in Iraqi Army. At beginning of war everybody grabbed what they could and headed for the hills. One group of Kurdish policemen from Sulaymaniyah even took their prisoners with them and, since they have seen too much to be released,

they are finishing out their sentences in Kurdish jail. Mr. Tawfick stated that Communists no longer a threat and that many Kurdish Communists now fighting with Barzani side by side with Christian Kurds, some of whom I met.

10. Equipment is main problem. Kurds have some old field pieces, anti-tank and anti-aircraft guns and RPG-7 short range anti-tank weapons. Anti-aircraft fire has forced Iraqis to stay at higher altitudes but as much of their mission is crop destruction and bombing villages this not very important. Correspondents and Kurds both claimed that Radio Kurdistan is accurate in its reporting, that planes and tanks reported destroyed are confirmed kills (this not true for planes in first months of war but true now) and that disproportion of Iraqi to Kurdish casualties is accurate. Where Kurds have taken heavy casualties is in civilian population. Both doctor in Piramshahr and Mr. Tawfick commented that civilian casualties much higher than in previous war. Kurds now hold some 200 Iraqi prisoners. Claim these all in Iraq and well treated as they are showpiece which visiting journalists are invited see. According all contacts no Iranian Kurds fighting in Iraq and Barzani Kurds gave impression Iranian Kurds would not be accepted.

11. Conclusion. The war has clearly entered a more serious phase. The Iraqis may well not be able to complete their line before winter grounds their aircraft and confines their tanks to the roads. The Kurds might be able to take back some of the places they have lost but could probably not hold them next summer unless they received major quantities of new equipment. Nevertheless, the Kurds point out that they fought the last war without having trucked in supplies and that they will go on fighting no matter what strategic points are lost or how poor their equipment is. They sound like they mean it and their record supports them. The question then may become how long the Iraqis, even with Soviet support, can tolerate the war's continuation.

**Neumann**

**262. Memorandum From the President's Deputy Assistant for National Security Affairs (Scowcroft) to Director of Central Intelligence Colby<sup>1</sup>**

Washington, September 18, 1974.

SUBJECT

Response to September 7 Message to [of] the Shah

It will be appreciated if you could arrange to convey [*less than 1 line not declassified*] the following response to General Nassiri's message of September 7, 1974:<sup>2</sup>

"Please inform his Imperial Majesty that Secretary Kissinger has carefully considered the proposal concerning Iraqi oil installations which General Barzani placed before his Imperial Majesty the Shah.

"Secretary Kissinger strongly believes that a Kurdish attack on the Kirkuk oil installations would be a serious mistake. It is very doubtful that such an attack would cause any significant lessening of the Iraqi attacks on the Kurds; to the contrary, it could generate even stronger and more concentrated attacks designed to break the Kurdish resistance quickly if at all possible. Moreover, the Iraqi might ascribe the attacks to Iran or believe them Iranian inspired. In such a case, there is a strong probability that the Iraqi would mount retaliatory attacks against the important and exposed Iranian oil installations at Abadan. The Soviet Union also might be tempted to increase its support for Iraq in ways which would be further damaging to the Kurdish cause.

"In view of these factors, Secretary Kissinger recommends that General Barzani's proposal not be approved."

Ambassador Helms should be apprised of this reply.

**Brent Scowcroft**

*Lieutenant General, USAF*

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<sup>1</sup> Source: Library of Congress, Manuscript Division, Kissinger Papers, Box CL-152, Iran, Chronological File, 6 May–23 September 1974. Secret; Sensitive; Eyes Only.

<sup>2</sup> The message, attached but not printed, includes a message from the Shah that Barzani had requested 240 Katyushka rockets with which to bombard Iraqi oil installations at Kirkuk.

## 263. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, October 24, 1974, 1130Z.

719. Subject: Resurgence of Soviet Activity in Iraq. Ref: Baghdad 317 of 5/15/74.<sup>2</sup>

1. Iraqi policy trend toward non-alignment and rapprochement with West appears to have resulted in major Soviet effort to avoid displacement by West. Iraqi regime vulnerable to Soviet pressures because of Kurdish war and what it perceives as military threat from Iran. Although Soviets may not be able to reverse trend, they may succeed in slow down. For the U.S., this could mean limitation on economic activity and further delay in resumption of normal relations. *End summary.*

2. As Department well aware, Iraqi regime moved rapidly after IPC settlement in February 1973 to expand relations with West and decrease reliance on USSR, most notably through economic rapprochement with West and Japan and resuming relations with UK and FRG. On negative side for USSR, there was Iraqi insistence that Soviets pay market price in hard currency for oil, closure of Soviet, Czech, and East German cultural centers, virtual ignoring of provisions on consultations in Iraqi-Soviet treaty of April 1972, and several public statements by RCC Vice Chairman Saddam Hussein which stressed Iraqi independence from USSR. In short, main thrust of Iraqi policy since March 1973 has been toward real non-alignment and replacement of Soviets as major economic partner by West.

3. Situation obviously not to liking of Soviets and Communist diplomats who throughout early months of 1974 expressed exasperation with Iraqi prickly behavior. Soviets no doubt wished to reverse this trend but realized their means of influence limited and must be used with caution to avoid more adverse reaction. Soviets were assisted by eruption of large scale fighting against Kurds in late spring and resulting Iraqi need for military supplies and protection from perceived military threat from Iran. Series of high level visitors in first half of 1974 (reftel) seem to have signaled Soviet determination to maintain position.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740307–0768. Secret. Repeated to Abu Dhabi, Algiers, Amman, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Moscow, Paris, Tehran, and Tel Aviv.

<sup>2</sup> In telegram 317 from Baghdad, May 15, the Interests Section reported that the Iraqi-Soviet relationship was going through a period of “consolidation” at Soviet initiative, including visits from high-level Soviet officials. (Ibid., D740124–0757)



4. Events since that time appear to support this contention and that Iraqis are vulnerable:

(A) Publicly, Soviets seen to stand firmly behind Baath regime's effort to resolve Kurdish problem through forced application of Iraqi version of Soviet "nationalities policy." Privately, however, Soviets believed to see benefits of keeping Kurdish revolt alive as means of pressure on Baghdad.

(B) Soviet supply of Iraq with highly sophisticated military equipment; to best of USINT's knowledge Iraq is only country outside USSR to have received TU-22 supersonic medium bombers and one of very few to receive MIG-23s and SU-20 fighter bombers. It has also received SA-2, SA-3, and SA-7 missiles.

(C) Likelihood that abrupt change in Iraqi oil policy on exploration and production in June 1974 was result of Soviet displeasure. Contracts were virtually certain to have been awarded to French-led consortium and some American companies (Baghdad 459).<sup>3</sup>

(D) Continual stream of high level and party and Front delegations to USSR, most recently that of former ForMin Taqa which appears to have been occasion for lavish praise from Moscow Radio (FBIS Sept 23 pp F1 and F2) lauding Soviet-Iraqi relations as "example of comprehensive cooperation of world socialist movement and national liberation movement." Other recent visitors included Iraqi Chief of Staff Abdul Jabbar Shanshal (received by Marshal Grechko September 26) and Baath Party del headed by regional leadership member Abdul Fattah Yassin for 10 day visit at invitation Central Committee of CPSU.

(E) Willingness of Baath regime to allow Communist front organization to exploit Iraq for their own purpose; recent conference in support of DPRK in cooperation with AAPSO and scheduled international conference on oil and natural resources to be held November 1–4 under auspices of World Peace Council and AAPSO.

5. Despite Soviet efforts and Iraqi vulnerability, there is ample evidence that regime is determined to pursue independent course. It is increasingly adopting radical Arab brand of non-alignment through continuing contacts with Algeria and Yugoslavia. Western companies, particularly French, continue to win major contracts. Yugoslavia has been asked to take on one billion dollar agricultural complex along Yugoslav model. Iraqi military believed to be strongly nationalist and is urgently seeking military supplies and training from French, British,

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<sup>3</sup> In telegram 459 from Baghdad, August 2, the Interests Section suggested that the abrupt change in Iraqi oil policy in June, in which oil exploration and production development would proceed via straight service contracts with no concessional price or option to buy, might reflect differences within the Iraqi Government and portend changes in key petroleum personnel. (Ibid., D740212–1149)

Dutch and other non-Soviet sources. These Iraqi initiatives are of course possible because of expanded oil revenues. Another sign of underlying Baath resistance to Soviet influence is continuing vigilance toward ICP (Baghdad 718).<sup>4</sup> In recent days Algerian, Yugoslav and Egyptian Ambassadors have all independently expressed to me their satisfaction with direction of Iraqi policy.

6. Conclusion I draw from present state of affairs is that Soviets are making very major but cautious efforts through variety of overt and covert means to reverse Iraq's drift toward real non-alignment. They appear thus far to be having only slight success. Whether they are more successful in future is likely to be determined by outcome of Kurdish war and conflict with Iran.<sup>5</sup> Algerian Ambassador goes so far as to say if Baath can subdue Barzani it will be beginning of end for ICP and meaningful Soviet influence in Iraq. For the U.S., Soviet successes could mean slow down in booming U.S. exports (\$120 million for first 8 months 1974) and likelihood that Iraq decision to normalize relations would be further delayed.

7. Would appreciate Embassy Moscow comments.<sup>6</sup>

Lowrie

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<sup>4</sup> In telegram 718 from Baghdad, October 24, the Interests Section commented that an anti-Communist amendment added to the Iraqi penal code was believed directed at the ICP. (Ibid., D740307–0731)

<sup>5</sup> Telegram 262660 to Tehran, November 28, transmitted a message to the Shah that Iraqi-Soviet relations were strained because the Iraqis were displeased with Soviet failure to provide all the requested military supplies for their campaign against the Kurds. (Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 13, Iran—State Department Telegrams, From SECSTATE—NODIS (1))

<sup>6</sup> No comments from the Embassy in Moscow have been found.

**264. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, November 2, 1974.

SUBJECT

Text of General Mulla Mustafa Barzani's Letter to Secretary Kissinger

1. We are transmitting to you below the text of the letter from General Barzani which was shown to you in Tehran.<sup>2</sup> We are also including the most recent list of ordnance requirements which the Kurds submitted to the Iranians and which was shown to you in Tehran.

2. Barzani is in a very difficult position because he must defend the Rawanduz–Haji Umran area which is now the objective of a concentrated Iraqi attack lest he lose the only supply line to Iran over which supplies can be moved in large quantity. It is also his headquarters area and its loss would be a tremendous blow to Kurdish morale. We estimate that if Barzani loses this area he could at best continue military operations against Iraq only on a drastically reduced scale with the chance a significant proportion of his supporters would desert him.<sup>3</sup>

3. As in the case of previous Kurdish requests for more aid, we recommend against increasing the level of our support to Barzani because a further increase in aid would risk exposure of this sensitive operation. Our assistance to Barzani for FY 1973, 1974 and 1975 totals almost \$20 million and has included over 1250 tons of ordnance. Iranian assistance to the Kurds is at a very high level of over \$74 million per year. Nevertheless the Iranians are able to give all of the assistance the Kurds need

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<sup>1</sup> Source: Central Intelligence Agency, Executive Registry Files, Job 80M01048A, Box 3, Folder 35. Secret; *[handling restriction not declassified]*. On a routing slip, Colby wrote on December 12: "I prodded Scowcroft on this—He said they had asked *[text not declassified]* who said they'd be delighted if *repaid* (which is not administratively feasible)—I suggested we should consult Shah and then go shares with him—He rather agreed, but will check HAK. C"

<sup>2</sup> Kissinger was in Tehran November 1–3.

<sup>3</sup> On a second routing slip, October 31, the Deputy Director for Operations commented, "We have left the question of guerrilla warfare out of the memorandum to Dr. Kissinger because Barzani is using guerilla tactics wherever possible. His forces continually strike at Iraqi roads, power lines and Iraqi garrisons throughout the whole of Kurdistan. Barzani, however, has been forced to concentrate a major part of his forces to defend his one remaining major supply route. The terrain in the area is such that the Iranians could not move major quantities of supplies to the border at any other place. Barzani needs not only military supplies but large quantities of foodstuffs. The rural Kurds in the mountain valleys have always needed to import food; now with hundreds of thousands of Kurdish refugees from the cities and many more displaced from villages under Iraqi control, many of Barzani's people would starve in the long cold winter without Iranian supplies."

and the Agency recommends that further increases in aid to the Kurds be left up to the Iranians.

4. We have already informed the Iranians and Barzani via our Station in Tehran that, in our opinion, it would be unwise for Barzani at this juncture either to make a public declaration of autonomy or to announce the formation of an Iraqi government in exile in Iraqi Kurdistan.

5. The text of Barzani's letter follows:

"Dear Mr. Secretary:

"Once again we find it necessary to present to you in this memorandum the serious situation in which our people find themselves and the military, political and economic problems which the circumstances of an aggressive war has imposed on them. We are hopeful that our situation will merit careful consideration by your government, that our problems will be studied and understood and that we will consequently be helped in any way possible.

"Fully backed by the Russians, the Iraqis have for more than seven months been waging a war of genocidal proportion on Kurdistan. In addition to the active participation of thousands of Russian experts, pilots and other Soviet officers, material Russian support and the continuous flow of arms and ammunition has given the Iraqis an immense superiority in weaponry and war power, a superiority from which our forces have and continue to suffer greatly. For example, in the last two months and a half we have suffered about 1200 casualties killed and wounded on the two fronts of Qal'at Dizah and Rawanduz alone. It is on these two fronts that the Iraqis have concentrated most of their troop strength of 30 infantry brigades, 6 battalions of special forces all of which is being supported by 400 pieces of artillery and mortars, 600 tanks and hundreds of aircraft. The major and final aim of attacking from these two fronts is of course the occupation of our central position Balak, a place where most of our headquarters are located. This is a fact that has forced us into a frontal battle with the Iraqis on those two fronts as it is evident that we cannot afford to lose this area. Through continuous military pressure the Iraqis have managed to advance and control some key positions on both fronts and from where Galala, in the immediate vicinity of which are located our headquarters, is being shelled by their long-range artillery. This is something that has not happened during the entire history of our movement. Furthermore, 95 per cent of the casualties we have taken are the result of air raids and artillery and tank shelling. That is not to say that while achieving this the Iraqis have not suffered very heavy casualties which can be placed at about 6,000 killed and wounded.

"Mr. Secretary, this being the situation and in order to be able to effectively defend ourselves we see that we are in urgent need for some

sophisticated anti-air and anti-tank weapons along with long-range artillery units all of which must be sufficiently supplied with ammunition. These weapons are also needed as the key supporting element in the counter-offensive which we must launch in order to ease off and push back the immediate Iraqi military pressure which we now feel. We have attached for your consideration a list of these urgent needs.

“Aside from the military pressure, we also find ourselves in a serious and rapidly deteriorating economic condition whereby we have close to 400,000 refugees who have lost their homes and property. This is in addition to the 100,000 who are being cared for by the Red Lion and Sun Society through the kind help of the Iranian Government. The economic situation is dangerously worse in areas neighboring the Turkish border which is closed to us. With the advent of winter the conditions in these areas are rapidly approaching a critical stage and unless some efforts are spent in persuading Turkey to open her border, at least for humanitarian purposes, and until large quantities of humanitarian help reach the population in these areas, famine will soon be the real and immediate danger. We are hopeful that your government will extend the urgently needed aid either directly or through the efforts of American philanthropic organizations.

“Mr. Secretary, on the political level the Iraqis are now taking specific measures to implement what they call their law of autonomy as they already have formed legislative and executive bodies for that purpose. As superficial and unsatisfactory as these bodies may seem to the bulk of the Kurdish people, these measures could nevertheless deceive the uninformed particularly in the outside world. On our side we therefore must have an alternative either in the form of declaring autonomy for our people in Iraqi Kurdistan, or by offering the people of Iraq a recognized Iraqi formation in our area. In order to fairly and squarely face our people and the Iraqi population in general, one of the above steps must be taken as a political alternative.

“These Mr. Secretary are briefly the main issues which we hope will be studied by yourself and jointly with our Iranian friends as we certainly hope also that your government will do whatever it can to help us in these critical circumstances.

“We have been and continue to be ever grateful for what His Imperial Majesty The Shahinshah Aryamihir has ordered to be done for us and this has always been the cornerstone in our struggle. We also are grateful to the United States of America for the help it has extended to us until now, but the demands upon us are greater now and that is why we find it necessary to request the expansion of that help in any way feasible and in the manner which will suit your policy.

“Iraq is no doubt becoming a real danger for the area and particularly in the Persian Gulf and the Indian Ocean. This is not only because of the fanatical and subversive policy of her government, but also be-

cause it has become a bridgehead from which the Russians are penetrating the whole region and are trying to consolidate their presence and serve their own interests at the expense and the exclusion of others particularly your country and her allies. Helping us in our present bloody struggle against the Iraqis will not only be aiding an oppressed people, but it will also count as a major contribution in putting a limit to the ever-increasing Soviet influence in the region and in weakening and finally eliminating the very tool which they so freely use to serve that purpose. No doubt Mr. Secretary that you agree that this is a serious matter worthy of careful consideration by yourself and your government.

“Please Mr. Secretary, accept our best wishes and appreciation.”

(signed) Mustafa Barzani, October 22, 1974

6. The list of ordnance requirements follows:

- |   |                   |
|---|-------------------|
| “A. 155MM (Howitzer) Artillery                            | 10,000 shells     |
| 25 Pounder  | 10,000 shells     |
| 120MM Mortar (Russian)                                    | 10,000 shells     |
| 120MM Mortar (American)                                   | 10,000 shells     |
| 82MM Mortar (Russian)                                     | 6,000 shells      |
| B-10 Anti-Tank  | 2,000 shells      |
| 106 (Recoilless Gun) Anti-Tank                            | 3,000 shells      |
| “107 (Recoilless Gun) Anti-Tank                           | 3,000 shells      |
| R.P.G. 7 Anti-Tank  | 5,000 shells      |
| 60MM Mortar   | 10,000 shells     |
| 122MM Mortar (Russian)                                    | 10,000 shells     |
| 122MM Field Gun (Russian)                                 | 4,000 shells      |
| 30MM Anti-Air   | 50,000 bullets    |
| Douchka (Heavy M. Gun)                                    | 100,000 bullets   |
| 14.5 Anti-Air   | 50,000 bullets    |
| Brno Rifle Ammo   | 5,000,000 bullets |
| Russian Kalashnikov 7.62X36MM                             | 2,000,000 bullets |
| “B. Needed also are as many as possible of anti-tank mis- |                   |
| siles (Sager or identical ones), and some sophisticated   |                   |
| anti-air weapons, especially missiles.                    |                   |
| “C. There is also need for:                               |                   |
| 150 pieces of 60MM Mortars                                |                   |
| 150 R.P.G. 7 Launchers                                    |                   |
| 5,000 Hand Grenades”                                      |                   |

W.E. Colby<sup>4</sup>

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<sup>4</sup> Printed from a copy that indicates Colby signed “Bill” above this typed signature.

**265. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, November 13, 1974, 1130Z.

792. Folg msg recd London via courier transmitted as reqd by Baghdad. Kuwait pass Doha and Muscat. Subject: Major Cabinet Reshuffle in Iraq.

1. *Summary*: Largest Cabinet reshuffle since Baath Party took power 1968 occurred November 11. Four Ministers were ousted, eight new Ministers named and eight hold-overs changed jobs. Initial assessment is that Saddam Hussein has consolidated his control of state machinery and strengthened internal cohesion of regime by putting Baathists loyal to him in key posts and expelling or downgrading non-Baathists. Above all, Baath Party has demonstrated it has no intention of sharing power with ICP, "Arab nationalists", or any other "progressive" elements. Level of competence of new Cabinet also believed higher. New Foreign Minister is Iraq's ranking technocrat, U.S. educated former Minister of Petroleum Saadoun Hammadi. On balance, changes seem to augur well for political stability and continuation of trend toward more non-aligned and realistic policies. *End summary*.

2. Most striking element in major Cabinet reshuffle (assume list of names in FBIS) November 11 appears to be consolidation of control by Baath Deputy SecGen and RCC Vice Chairman Saddam Hussein. President al-Bakr maintains also his position as Minister of Defense but otherwise seems to have gained little. Of other active members of RCC, one maintained his post (Izzat Mustafa as Minister of Health), one took on added responsibilities (Minister of Industry Jazrawi now also Acting Minister of Planning) and one changed posts (Minister of Agriculture ad-Douri to Interior). Last remaining military member of RCC besides al-Bakr, General Saadoun Ghaidan, was downgraded from Interior to Communications. Other known member of RCC, Ambassador to Moscow Murtada Siad Abdul Baqi, did not figure in reshuffle.

3. While RCC appears to have suffered net loss as principal institution of the state, regional Baath Party leadership made major gains. Five members, including several elected at Eighth Party Congress in January 1974, moved into key Ministerial posts as follows: Naim Haddad as Minister of Youth; Tayeh Abdul Karim as Minister of Oil; Mohammed Mahjoub as Minister of Education; Ghanim Abdul Jalil as

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740328–1048. Confidential; Priority. Repeated to Abu Dhabi, Amman, Algiers, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Manama, Moscow, Paris, Rabat, Tehran, Tunis, and Baghdad.

Minister of Higher Education; and candidate member Tariq Aziz as Minister of Information. These five are closely identified with Saddam Hussein and have considerable bureaucratic experience as well. New Ministers of Agriculture and Finance are both respected technocrats.

4. Non-Baathists suffered. Of five Kurdish Ministers named last April, one of two with portfolio was switched from Public Works to Municipalities and the second, Hashim Aqrabi, was dismissed from Cabinet. No Communists were added and they continue to hold three Cabinet seats, only one with portfolio (Irrigation). Nationalists suffered most; two were ousted (Tabaqshali and Fakri al-Khaffaf) and two were demoted (Hisham al-Shawi and Juwari). Minister of Planning Jawad Hashim, who was most prominent Shia in regime, also lost his portfolio.

5. Another significant change was appointment of Minister of Oil Saadoun Hammadi as Minister of Foreign Affairs. American educated Hammadi is known as Iraq's premier technocrat and he has had broad international experience during six years as MinPet. Although Hammadi will be executor rather than formulator of policy, his appointment is encouraging sign for the West. New Petroleum Minister Tayeh Abdul Karim, according to our limited info, has been mainly involved with party and agricultural affairs. He is expected to be militant spokesman for Saddam Hussein's "follow-up" committee which will continue to set oil policy.

6. *Comment:* Virtually every key Ministry is now in hands of Baathist militants with past association with Saddam Hussein or filled by technocrats. Reshuffle should therefore give new cohesiveness and unity to Iraqi regime. It may also mark the transfer of real authority to Council of Ministers which could speed up modernization and development effort. Above all, however, changes represent continual domination of Baath Party and strengthening of its direct control over all aspects of government.

7. Purging of "nationalists," diminution of role of Kurds, and failure to give ICP any new portfolio despite participation of all these groups in National Front, clearly illustrate determination of Baath not to share power and to keep regime ideologically pure. This is certain to be viewed adversely by ICP and USSR who have been pressing GOI to expand ruling institutions to include all "popular and progressive forces." Communist Ministers are now even more heavily outnumbered by Baathists and will almost certainly want to re-evaluate desirability of cooperating with this regime. Soviets and others may also read more into appointment of Hammadi as gesture toward U.S. than probably warranted.

Lowrie



**266. Memorandum From the Director of the Office of Lebanon, Jordan, Syrian Arab Republic, and Iraq Affairs (Korn) to the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton)<sup>1</sup>**

Washington, December 9, 1974.

SUBJECT

The Sale of Civilian Cargo Aircraft to Iraq

In mid-October, you approved a memo (Tab B)<sup>2</sup> in which we proposed that Lockheed be informed that the Department could not at this time approve the proposed sale of their L100–30 cargo aircraft to Iraq. Our position was based on the similarity of the L100–30 to its military counterpart, the C130 cargo carrier, and the possibility that the Iraqis might use the L100–30 for military purposes.

Shortly thereafter, it was brought to our attention that Boeing was nearing the completion of negotiations with the Iraqis for the sale of a substantial number of their convertible passenger/cargo aircraft. In the interest of fairness, we called Boeing in and informed them of our concern that Iraq's military airlift capability not be increased and of the position we had taken in regard to the sale of L100–30's to Iraq. We informed Boeing that we had asked for a study on the comparative military capabilities of all of the U.S. civilian cargo aircraft in which the Iraqis might be interested, i.e. the Lockheed L100–30, the Boeing 727, 737 and 747C, and the McDonnell-Douglas DC–10.

The Boeing representatives told us that they were in fact in the final stage of negotiating with the Iraqis for the sale of three 727s, one 737, and two 747C's, together with a management and training package. They added that they expect to finalize these agreements this month and would appreciate knowing as soon as possible the outcome of our study. The Boeing representatives said they hoped to be able to sign contracts with the Iraqis by mid-December.

That study has now been completed and is attached at Tab A.<sup>2</sup> It shows that of the aircraft in question, the L100–30 appears to be the one most adaptable to military airlift use, by virtue of its relatively large

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P800093–2349. Secret. Drafted by Mary H. Maughan (NEA/ARN).

<sup>2</sup> Not attached.

cargo capacity, shorter runway requirement, and ramp loading capability. The Boeing 727 and 747C, though they have, as do the other craft, a limited military capability, are essentially civilian aircraft; both are being sold in this case in a passenger configuration. There is no problem with the Boeing 737, which Boeing has sold to the Iraqis in the past.

*Recommendations:*

1. That, on the basis of the study at Tab A, Boeing be advised that the Department will raise no objection to the proposed sale of their 727, 737 and 747C.

2. That if Lockheed makes further inquiries concerning the sale of the L100–30, they be informed that a joint State–DOD study has confirmed that the adaptability for military use of the L100–30 is such that the Department cannot at this time approve the sale of this aircraft to the Iraqis.<sup>3</sup>

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<sup>3</sup> Atherton initialed his approval of both recommendations. The Department informed the Interests Section in telegram 383 to Baghdad, January 2, 1975. (National Archives, RG 59, Central Foreign Policy Files, D740165–0459)

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**267. Briefing Memorandum From the Director of the Bureau of Intelligence and Research (Hyland) to the Under Secretary of State for Political Affairs (Sisco)<sup>1</sup>**

Washington, December 16, 1974.

**Iraqi Charge of Use of US Missiles in Iraq**

Iraq has charged that two of its planes were shot down inside Iraqi territory by US-made Hawk missiles fired by the Iranians (FBIS 34, Tab A).<sup>2</sup> We have seen no evidence of Iranian deployment of Hawk missiles

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P860134–0018. Top Secret; [handling restriction not declassified]. Drafted by Donald A. Roberts (INR/RNA).

<sup>2</sup> Attached but not printed. The portion of the Department press briefing regarding the incident was sent to the Interests Section in telegram 276313 to Baghdad, December 17. (Ibid., Central Foreign Policy Files, D740367–0209)

in or near Iraq.<sup>3</sup> However, there is ample [*less than 1 line not declassified*] photographic evidence that the Iranians have deployed British-made Rapier surface-to-air missiles inside Iraq, and these were presumably involved in the reported incidents. (The possibility that Iraq might make public charges of Iranian aggression with US-made weapons was raised in our IN of November 18 (RCI-3122, Tab B).)

## Tab B

### Intelligence Note Prepared in the Bureau of Intelligence and Research<sup>4</sup>

Washington, November 18, 1974.

#### IRAN'S INTERVENTION IN IRAQI-KURDISH STRUGGLE GROWING

Iran's support for the Kurdish rebellion in Iraq has recently reached a level comparable to that of Indian involvement with the Bengalee rebels in East Pakistan just prior to the 1971 war. Although there are significant restraints against the widening of hostilities, there is now a real possibility of major clashes between Iranian and Iraqi forces. The Iraqis tried to raise a charge of Iranian aggression at the Rabat summit, and it could soon surface in other international forums.

*Growing Iranian Intervention.* Iran has been supporting Mustafa Barzani's Kurdish resistance intermittently since 1964. In recent months Tehran has become more directly involved in the fighting, which resumed last spring.

—Iranian Army units in Kurdish clothing have been intermittently deployed inside Iraq for special missions since July.

—Company-size groups of Iranian 120-mm mortar platoons have been operating on 48-hour missions inside Iraq since August 23. In re-

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<sup>3</sup> In telegram 10658 from Tehran, December 17, the Embassy noted that, contrary to the statement by the Iraqi armed forces, Iran could not have shot down the Iraqi planes using Hawk missiles, since the missiles had not yet been delivered. (Ibid., D740366-0784) In telegram 10692 from Tehran, December 18, the Embassy reported that the Iranian Government responded to the Iraqi charges by confirming that it had shot down two Iraqi planes and warned of a severe reaction if Iraqi planes violated Iranian airspace again. (Ibid., D740368-0053) The Embassy corrected its initial report in telegram 289 from Tehran, January 12, 1975, noting that the first shipment of Hawk missiles to Iran had been unloaded on December 9, but maintained that it was not possible for them to have been used as alleged. (Ibid., [no film number])

<sup>4</sup> Top Secret; [*handling restriction not declassified*]; No Foreign Dissem; Controlled Dissem; No Dissem Abroad; Background Use Only. Prepared by Donald Roberts.

sponse to a Kurdish request of September 12, the local Iranian commander was authorized to deploy them at his discretion, and since October 25 they have been permitted to remain in Iraq for up to 10 days at a time.

—A battalion of US-supplied 175-mm artillery on the Iranian side of the border has been shelling Iraqi positions around Qalat Dizah and Raniayah intermittently since August 23 (see map).<sup>5</sup> Originally requiring personal authorizations from the Shah, cross-border shelling since October 26 has been controlled by local Iranian commanders responding to Kurdish requests. [2½ lines not declassified]

—An Iranian unit of Soviet-supplied 130-mm artillery has been deployed in the Haji Umran–Rawanduz area of Iraq since the end of October.

—US-supplied 155-mm and 8-inch artillery has been deployed into Iraq twice since November 3.

—Iranian 23-mm and 35-mm air defense batteries have been sent across the border to protect Iranian artillery from air strikes. On November 11 two Rapier surface-to-air missile units were also deployed. On November 12 a Sukhoi (probably a SU-7/Fitter fighter-bomber) was shot down by an Iranian 23-mm unit inside Iraq.

Iranian units now inside Iraq include two artillery battalions (one with Soviet 130-mm guns and one with US 155-mm and 8-inch guns), several mortar platoons, several air defense batteries, and two Rapier units.

*Significant Constraints on Both Sides.* The Shah, with roughly as many Kurds on his side of the border as in Iraq, is interested in keeping Barzani's rebellion alive but not in seeing it succeed. These interests require that he keep the heavy equipment he supplies the Kurds in the hands of Iranian soldiers. Moreover, the Shah may be concerned about the Soviet reaction to a large-scale, visible Iranian effort against Iraq. In these circumstances, his current objectives are probably limited to:

—the weakening, or possibly the overthrow, of the Iraqi Baathist leadership, which has staked its domestic prestige on a military solution to the Kurdish problem;

—pinning down Iraqi military forces (about 80 percent of the Iraqi Army is now deployed in the north), and

—maintaining an additional bargaining chip in the Shatt al-Arab border dispute.

Iraq, which is nervous about Iran's superior military power, will avoid steps likely to widen the hostilities or to invite Iranian retaliation elsewhere on their long frontier. Moreover, Iraq has not yet widely

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<sup>5</sup> Not attached.

publicized Iranian intervention or brought the matter to the UN because Baghdad:

- does not admit publicly that there is a civil war with the Kurds;
- has been unable at Rabat and elsewhere to generate Arab support against Iran; and
- sees little hope for effective Soviet or other outside support over the issue.

Furthermore, the winter rains and snows are already overdue and will soon curtail Iraqi armored and air operations, reducing hostilities to artillery exchanges until next spring.

*Possible Escalation.* Nevertheless, there remains a real potential for major clashes:

—The Iraqi leader, Saddam Hussein al-Tikriti, sent a message to Egyptian President Anwar Sadat on November 12, stating that Iraq will mount an air strike against Iran within 10 days if Iranian artillery attacks do not stop at once. (Cairo has passed this warning to Tehran.)

—The Iraqi military reaction to Iranian operations inside Iraq and to cross-border artillery firing has grown more intense. Heavy air and artillery attacks on Iranian positions in Iraq took place on four days within the past week, and Iran publicly reported exchanges of artillery and machine-gun fire along the border on November 10 and 11.

—The growing control of local Iranian commanders over force deployments and artillery fire could lead to miscalculations through lack of coordination with the Iranian leadership.

—Iraqi air strikes on Iranian positions in Iraq and overflights of Iranian territory could lead to air battles along the border.

Iraq may also be preparing to make public charges of Iranian aggression with US-supplied weapons. On November 5, the Iraqi Foreign Ministry called in the Iranian Ambassador to make a formal complaint and invited the British Ambassador and Arab heads of mission to see an exhibit of captured weapons and ammunition of US, Israeli, and Iranian origin.<sup>6</sup>

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<sup>6</sup> In telegram 782 from Baghdad, November 9, Lowrie described the separate visits of the U.K. Ambassador and the Arab Chiefs of Mission to the Foreign Ministry. He also noted that the Egyptian Ambassador told him the Arab League had formed a committee to examine Iraqi-Iranian relations and the situation in the Gulf at the Arab League summit at Rabat October 26–28. (National Archives, RG 59, Central Foreign Policy Files, D740324–0331)

## 268. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, December 23, 1974, 0900Z.

898. For Under Secretary Sisco and Assistant Secretary Atherton.  
Subject: U.S. Policy on Iraqi-Iranian Conflict.

1. *Summary*: Downing of two Iraqi A/C by Iranian missiles is, as you know, only most dramatic example of recent massive and direct Iranian intervention in Iraq, apparently necessitated by Iraqi armed forces success against Barzani in this year's campaign. It is, in my view, time for U.S. to make strongest possible *démarche* to Shah to end this intervention not only in Iran's interest but in interest of regional stability. *End summary*.

2. Shah's objective is apparently to bring about new government in Baghdad more amenable to him. It is true that Bakr/Saddam Hussein regime is deeply committed to victory against Kurds and conceivably could be replaced if war drags on. It does not necessarily follow, however, that successor regime would be improvement. Some observers, such as French and British, believe it would be more radical and disruptive, and probably be forced to rely heavily on USSR. Another possibility is army takeover which might be anti-Communist, but, historically, military regimes in Iraq have resulted in internal instability and chances are this would again be the case. This may suit Shah, but it difficult to see how it would serve U.S. or Western interest in regional stability.

3. Baath regime, for all its abhorrent traits, has given Iraq over six years of stability. In addition, it is now concentrating on economic development and energetically attempting to bring about full rapprochement with Western Europe and conservative Arab states (Baghdad 857).<sup>2</sup> Whatever motives lay behind this twin policy of development and rapprochement and whatever radical rhetoric used to conceal it, characteristics of Baath regime if policies successful likely to be quite different from current characteristics which admittedly often resemble those of cornered rat.

4. Kurdish leadership is fighting hopeless battle. No interested party wants to see them succeed. Even the Iranians say they will not give them enough assistance to take offensive. Their sole hope again

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D740373–0224. Secret; Exdis. Repeated to Tehran.

<sup>2</sup> Telegram 857 from Baghdad, December 7, noted that Iraqi efforts at rapprochement with conservative Arab states were proceeding swiftly, as Iraq ceased its propaganda attacks and attempted to foster communications. (Ibid., D740356–0615)

appears to be overthrow of Baghdad regime. In case of Kurds, hope that overthrow would lead to more amenable policies toward Kurds is even greater delusion than in case of Iran. All Iraqi regimes in past, including British, monarchy, and military have, to best of my knowledge, refused to grant Kurds kind of autonomy they seeking. Old idea of Kurdish-Shia coalition is also, in my view, both a delusion and unrealistic. Neither Kurdish nor Shia communities have either the institutions or personnel to govern and continue modernization process. Majority of both communities are still living in essentially tribal, medieval societies.

5. British Ambassador Graham told me in strictest confidence that Court Minister Alam had recently told British that Iran was determined to continue the war by giving Barzani not only what he needed to get through the winter, but sufficient arms and equipment to renew full scale hostilities in spring. If this represents Shah's thinking then we are almost certainly heading for large scale regional conflict. I believe therefore time has come to make strongest possible *démarche* to Shah to determine extent to which U.S. and Iranian interest conflict in this matter and how they might be reconciled. As previously suggested, I believe most promising approach would be for U.S. to recommend that Iran test seriousness of Iraqi desire for rapprochement rather than inflexibly maintaining that Baath regime is incorrigibly hostile to it.

Lowrie

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**269. Letter From the Consul in Tabriz (Neumann) to the Consular Coordinator at the Embassy in Iran (Bolster)<sup>1</sup>**

Tabriz, December 26, 1974.

Dear Arch:

Thank you for the article on the Kurdish war as seen from Baghdad, in the December 14, 1974, *Economist*. It makes most interesting reading. Along with Art Lowrie's Baghdad 796,<sup>2</sup> on the visit of

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<sup>1</sup> Source: National Archives, RG 59, NEA/IRN Files: Lot 77D400, Box 11, Iran, 1974. Secret; Limdis; Official-Informal.

<sup>2</sup> Telegram 796 from Baghdad, November 15, countered the official Iraqi claims that the fighting against the Kurds had nearly ended, noting that reports from military attachés indicated that fierce fighting and Iranian artillery and troop support of Kurdish forces continued. (Ibid., Central Foreign Policy Files, D740332-0626)

the British Military Attaché to the front, it provides quite a good view both of what is happening and what the Iraqis seem to think is and will happen. Since telegrams have their limits, I decided this might be a useful time to set down how I see the war to date and where I think it is going. As this involves a measure of conjecture and guesswork I could well be proved wrong. In that case, the Consulate compound is well supplied with crows for my future consumption. Be that as it may, I think such an effort is useful and I am probably in as good a position as anyone to give it a try.

In brief: The Iraqi summer offensive did much better than anyone expected but by early fall it was slowing down considerably. The costs were heavy, and for it to signify much the Iraqis have to hold most of what they took. The Kurds have suffered relatively few military casualties. Their society has been more disrupted than in any previous war but this has unified them and, because there has been a place (Iran) to send the non-combatants it has left them, at least in the area close to the Iranian frontier, unencumbered and prepared for a long war. The Kurds know that they have to make a limited but vigorous offensive this winter and I still rate their chances very good in that regard. The key remains Iran. Iraqi success has led to a degree of Iranian involvement in the war never seen before. This aid, which was largely responsible for having blunted the Iraqi offensive is likely to make the difference this winter. For a variety of reasons I think Iranian aid is going to continue and that this will result in a largely stalemated position which is what the Kurds define as their military aim. More important, the new degree of Iranian involvement in this war, partially with weapons we have sold them, and its potential for a larger explosion give this war an importance for our bilateral relations that it has not had before.

Let me now take this piece by piece. The Iraqi offensive has been a considerable success, although it failed, and in some cases failed very badly to accomplish its original goals. To evaluate it one needs to look both at its goals and the way it evolved over the period August to November. It began, at least in part, because the economic blockade and disruption of the civilian population from March to August failed to achieve any result other than increasing Kurdish unity and driving many civilians into Iran. The original goal of the offensive was to completely cut off Iraqi Kurdistan from Iranian supplies and, hopefully, to end the war. I do not think one should make too much of their failure to accomplish all of this, first because it was probably too ambitious and secondly because the army came much closer to accomplishing its mission than anyone on this side of the border thought likely in March, 1974.

What is more important is the way in which the pace of the offensive slowed down, partly as a result of Iranian counter measures. From



late July to the end of August, that is, in less than a month and a half, the Iraqis succeeded in crossing one narrow line of mountains to occupy Quala Dizah, thereby cutting the supply line from Sardasht on the Iranian side, while at the same time they crossed two extremely severe mountain ranges, secured the Ali Beg pass, and occupied Ruwanduz. At this point I would guess that the Shah decided that he had to increase his inputs if he did not want a successful Iraqi army sitting, idle, on the Kurdish portion of the frontier. Certainly his officials along the frontier were evidencing a good deal of worry at this time and it was shortly thereafter that the first stories began to emerge of Iranian fire missions into Iraq and the delivery to the Kurds of limited quantities of anti-aircraft and anti-tank weapons.

Although it may have resulted from an Iraqi pause to regroup, the increase in the aid given the Kurds seems likely to have been a major factor in the slowdown of the Iraqi offensive that began to show up at that time. Although heavy fighting continued, the Iraqi troops in Quala Dizah were not able to secure the eastern valley road through Ranyia to Choman, and can move on the western road to Ruwanduz only in large convoys. At least, this is the information I was still receiving on my last visit and only last week Bob Campbell was informed by our advisors that Iranian artillery can now cover the entire eastern valley route from their present firing positions. Around Ruwanduz, it took the Iraqi army until October to secure Zozak Mountain, the capture of which they announced on October 7 (AFP story of October 8 carried in Moroccan *Le Matin*), although I believe fighting on the mountain actually continued for some time after that. The dispatches of early October also claimed Galala was about to fall to the Iraqis but, according to the *Economist* article, this does not seem to have occurred until the end of November and this, along with the reported capture of Mt. Tartan, seems to mark this year's high water mark. In other words, it has taken the troops from Ruwanduz about three months to move as far as they moved in the first month and a half of the offensive and the divisions around Quala Dizah do not seem to have accomplished anything additional at all. The Iranians have also reinstalled a second supply route. As the Iraqis have advanced the Iranian counter reaction appears to have stiffened and we are now getting stories of more sophisticated anti-tank and aircraft weapons being delivered as well as intensive artillery barrages from Iranian batteries—the latter stories certainly being correct.

With the Iraqis digging in for the winter and determined to hold their conquests how does one sum up the campaign and what does the future offer? First the offensive has, clearly, been extremely successful. If the Iraqis can hold what they have taken their chances for erecting a partial cordon next year along the Choman, Ranyia, Qala Dizah route are very good, unless Iran is prepared to commit combat troops and

possibly planes, which I doubt. On the other hand, if the Kurds manage to retake much of this lost ground, next year's offensive is liable to go much slower both because the Kurds now have better arms and because some of the elan is bound to seep out of the Iraqis if they find themselves dying next summer on the slopes they occupied this fall. Contrary to the *Economist* story, I think Kurdish military casualties have been much lighter than those of the Iraqis. There have been too many journalists in the area for the Kurds to get away with large scale under-reporting.

The key to Kurdish chances this winter and in the future is clearly Iran. A large part of the question then becomes whether the Shah may change his mind and come to some sort of deal with the Iraqis. In Tehran you may have a different point of view, but from the evidence I see I very much doubt he will change his mind. First, the whole tenor of his relations with the Ba'athists since they came to power in Baghdad has been one of distrust, suspicion, and hostility. I would hypothesize that the Shah would view backing down not as a policy likely to bring peace in the area but as a step that would simply whet Baghdad's appetite and lead to an increase in their machinations in the Gulf. Secondly, the Shah has made his commitment to avoiding Barzani's defeat increasingly clear and a considerable amount of prestige is now involved in these operations. This would act as a further block against allowing Barzani's defeat if it can be prevented. Third, if the Kurds are defeated, Iran will have to choose between having over 100,000 Kurds camped permanently in Iran or encouraging/forcing their return to Iraqi control. In either case, if the defeat stems from a withdrawal of Iranian aid, the Shah risks creating a bitter group of Iraqi Kurds who would look upon Iran as the great betrayer and could well become future tools of Baghdad for stirring up trouble in Iranian Kurdistan, as sometimes happened in the early sixties. This, too, I would doubt that the Shah is prepared to accept if it can be avoided.

If my analysis is correct, then the likely course of events is that Iran will further step up the quality and quantity of arms supplied to the Kurds to enhance their chances of a successful winter counter-offensive. Such an offensive would serve both to prolong the war and to move it further away from the Iranian border and hence lessen the risk of a direct Irano-Iraqi clash. Such an increase in aid would be absolutely in keeping with the record of the past few months when each Iraqi success seems to have been answered with a step-up of Iranian assistance to the Kurds. The latest report, on orders to shoot down Iraqi planes which approach the border, fits in nicely here.

Again on the assumption that my analysis is so far generally correct, what would be the aims of a winter counter-offensive and what are its chances of success? The aim would almost certainly be to retake

as much of the country lost as possible with particular emphasis on the mountains east and, if possible, west of Ruwanduz. This would largely determine the direction of next summer's Iraqi offensive since they would still be faced with the necessity of cutting down Iran's ability to resupply the Kurds, they would not enjoy the stigma of permanently losing ground, and they might find themselves with the necessity of relieving an isolated garrison in Ruwanduz if the Kurds could retake the western passes.

Evaluating Kurdish chances of success in such a counter-offensive is obviously more difficult since it involves unknowns of tactics, weather conditions, Iraqi morale and determination, and a certain element of luck. Still, some general observations are possible. Figures on the forces involved vary with the *Economist* speaking of 80,000 Iraqis to 15,000 Kurdish Pish Merga, USINT Baghdad (reftel) talking of 200,000 troops with about half being irregulars, and many I have talked to putting Pish Merga strength around 40,000 plus. I would accept the 200,000 figure of the British Military Attaché in Baghdad. Barzani's figure of 40,000 Pish Merga is not unlikely, given an approximate population of two million Kurds, but this might well be increased in winter when there is no work to be done in the fields. This gives odds of about five to one counting Baghdad's irregulars and not counting Barzani's or odds of about two and a half to one if one counts only the hard core fighters on both sides. Depending on how one wishes to calculate, this is slightly to considerably less than we usually thought were necessary for success in such operations in Viet Nam. Given that the Iraqis have to spread out over quite a few posts and will have a limited ability to move reinforcements about in bad weather the Kurds have an excellent opportunity to amass superior forces at points of their own choosing. If the Kurds have adequate numbers of heavy mortars and ammunition they can probably put a considerable strain on the Iraqi logistic system which will have to rely on helicopters and airdrops to supply the more remote posts if the snows are heavy. I have been through a mortar siege of a fixed position when probably not more than a dozen men with a couple of mortar tubes gave us absolute hell for weeks. And we had good troops, ample helicopter support, generally good weather, and a solid position. If the Kurds adopt similar tactics they can spread the Iraqi logistics system to or beyond the breaking point.

On the questions of cover and weather I have to rely on the material in the National Intelligence Summary (NIS) Sections on Iraq. That indicates that cloud cover and bad weather can be expected to occur about a third of the days in January and February in the areas under discussion. While cover is not dense the area is characterized as "Open deciduous forests" (NIS 30, Section 24, pg. 24–16 and map pg. 24–24) which, even in its barren winter condition, can make discovering small

groups of men and weapons from the air very difficult. Given the limits of armchair generalship, I am not saying that the Kurds will succeed this winter. But history is full of examples of small concentrated forces inflicting stinging defeats on larger, unconcentrated forces, be it the Germans against the Romans, Wellington in the Peninsula, or the Viet Minh in Indo-China. I do think that the Kurds have a good chance, that a few successful attacks may start making a dent in Iraqi morale in isolated positions, and that Iran is likely to give the Kurds the tools to do the job.

From our point of view, I think that there are two critical things to watch. One is the growing extent to which Iran is becoming committed to the Kurds and the lengths to which it will go to keep them from losing. If the level continues to intensify it is likely to come increasingly to public notice with, perhaps, consequent public linkage with our arms sales program. Certainly press comment on Iran's participation has increased in the last two to three months.

The second point is that effective Iranian aid may increase frustrations in Baghdad and increase the potential for serious border chashes and perhaps even a short war. It is commonly said that for Iraq to start a war with Iran would be "illogical." I am beginning to have some second thoughts about that. Its illogic is essentially military, i.e., that taking on an equally strong, or stronger neighbor when all of one's military resources are insufficient for a domestic rebellion is not good sense. However, there is another logic that might be as or more compelling.

A bullet or exile are more frequent rewards than a pension for Iraqi leaders who fall from power. If the regime finds itself so committed to the war that it cannot back down, and if the war is seen to be unwinnable, then the necessity to find a scapegoat might be overwhelming, particularly as, in blaming Iran for this state of affairs, the Government of Iraq would be partially correct. In this line of reasoning the fact that a conflict with Iran would be inconclusive or lost is less important than the fact that it lays the blame for the situation elsewhere and may allow the army to vent the frustration that seems an almost inseparable part of a limited war operation. Seen thus, a decision for war is entirely reasonable, even if the fighting itself is wholly inconclusive.

I am not predicting a war. I am suggesting that if the Kurds are fairly successful this winter, and if that success appears to be partially dependent on increased Iranian aid, then greater frustration in Baghdad seems unavoidable. If this led to renewed border clashes it would not be surprising. The danger is if these expand.

Obviously, much of the above is conjecture. But, I think it is reasonably based on fairly good information. More important, this type of guess work seems to be unavoidable if we are to make an effort to do

more than simply report matters after the fact. That events may prove me wrong, in whole or in part, does not make the exercise less worth doing. I would appreciate comments and criticism on these ideas from you and others involved with these questions. And on that note, I wish you a Happy New Year.

Sincerely,

Ronald E. Neumann<sup>3</sup>

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<sup>3</sup> Printed from a copy with this typed signature.

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## **270. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, December 30, 1974, 1242Z.

10954. Beirut please pass Baghdad. Subj: U.S. Policy on Iraqi/Iranian Conflict. Ref: Baghdad 898.<sup>2</sup>

1. Although Department doubtless has its own perspective which may differ from USINT/Baghdad and AmEmbassy Tehran on issue of US policy on Iraqi/Iranian conflict, we do not share the concerns, assessment, or conclusions of refTel. Our reasons follow:

2. The Shah sees the Bakr/Saddam Hussein regime as a bunch of thugs and murderers implacably hostile to him and, he would have thought, to the West generally. He remains unconvinced that Iraqi efforts to break out of its isolation are any more than tactical moves to ease internal and external pressures. He believes that at heart the present Baathist regime is still committed politically and ideologically to radical Arabism, that it is a tool for the extension of Soviet influence, and that it will play the role these convictions dictate when and where it can. He sees confirmation of his conclusion in Iraqi subversive efforts in the Arabian Peninsula, in Baluchistan and in Iran itself. He sees Iraq as a mischief-maker and supporter of the Palestinian Rejection Front and other radical Arab forces elsewhere. Finally, he sees it as a cruel op-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iran—State Department Telegrams, To SECSTATE-EXDIS (1). Secret; Exdis. Repeated to Beirut.

<sup>2</sup> Document 268.

pressor of its own people, bent on the destruction of the Kurds, the Shias and any others that may stand in its way.

3. In the narrower perspective of the Kurdish/Baghdad conflict, we do not think the Shah feels the Kurds are fighting a hopeless battle. While he is probably not anxious that the Kurds "win" to the extent of establishing a totally autonomous or independent state on Iran's border, he would not be upset to see them gain semi-autonomous status along the lines of the agreement that was reached between Barzani and Baghdad in 1970. So far, at least in military terms, such a development does not appear unrealistic. With only moderate help from Iran, the Kurds have held out against the best the Iraqi military could throw at them and during this winter they may well recover much lost territory and inflict further damage on Iraqi morale. It is not necessary for the Kurds to take Baghdad "to win." If they succeed in bringing down the Baathist government or, at a minimum, in forcing it to come to acceptable terms with them, then the Kurds will have "won." Admittedly, no one can foresee what a successor government in Baghdad would look like, but it is doubtful that either the Kurds or the Shah believe it could be any worse than the present regime and they are quite prepared to take their chances with any successor.

4. From our perspective, we do not believe "we are almost certainly heading for a large-scale regional conflict," if Iran continues giving the Kurds enough help to survive. Certainly, Baghdad must realize that if it launched a direct overt attack on Iran, the Soviets with high stakes in Iran as well as in Iraq, would likely stand aside and Iran could inflict serious damage on Iraq in retaliation. As far as Iran is concerned, it has evidenced no desire to go beyond ensuring Kurdish survivability and frustrating Baghdad's attempts to crush the Kurds once and for all.

5. As to the question of whether the US and Iran's interests diverge in this matter, we would only note our understanding that Kurdish-Iranian pressure has kept some 80 percent of Iraq's military tied down along the Iraqi-Iranian border and therefore not readily available for adventurism elsewhere. It is obviously not in our interest to have instability in the area, but we frankly question whether the Baghdad regime, under different circumstances, would be a stabilizing force. It was after all, the current regime that failed to live up to the understanding reached with Barzani in 1970 and launched renewed military efforts to eliminate him and his followers. It was the present regime that has steadfastly refused to negotiate an agreement with Iran which admits the obsolescence of the 1937 treaty defining their common border on the Shatt-al-Arab, and it is the Baghdad regime that appears to have given aid and support to the more extreme and outrageous factions in the Arab world, including terrorists, up to the very present.

6. While our interests may not coincide with Iran's in every particular vis-à-vis Iraq, and our assessment of the potential and limits of what may be done to bring Iraq into closer harmony with our objectives in this area may not be in complete agreement, we do feel they are closer together than not. Further, we think that a *démarche* to the Shah to cease his support of Barzani would be inadvisable because it would be unheeded, unwise because the premise on which it is proposed is unsound (or at least unconvincing), and that in fact it would not serve overall US interests.

7. In sum, we think it is up to Baghdad to take steps to ease its own pain through accommodation with the Kurds, with Iran and with responsible behavior generally. If it did, the onus would be on Iran among others to make the next move and we would be in a much better position to argue for accommodation on the Iranian side if we were so disposed.

**Miklos**

## January 1975–January 1977

### 271. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, February 1, 1975, 1050Z.

103. Subject: Iraqi-Iranian Relations. Ref: Baghdad 52 (Notal).<sup>2</sup>

1. *Summary*: Possibility of Iraqi-Iranian rapprochement increased by efforts of Egyptians and French to give Shah more objective appraisal of Baath regime. Iraqi actions of past two years support conclusion that this regime is increasingly pragmatic, nationalistic, determined to be non-aligned and that radical rhetoric is becoming form without substance. *End summary*.

2. Egyptian Ambassador al-Naggar told me Jan 30 that he was optimistic on possibility of Iraqi-Iranian rapprochement following Shah's visit to Cairo. He said Sadat had given Shah objective analysis of Baghdad regime which al-Naggar believes Shah does not get from his Embassy, SAVAK or those around him who fear to express views which contradict those he has previously expressed. Al-Naggar said Shah's main question to Sadat was whether present Baghdad regime represented nationalist regime or was tool of Soviets, aimed eventually at overthrowing Iranian regime. Egyptians are convinced that Iraqi regime is nationalist and gave Shah analysis upon which this conclusion based.

3. Al-Naggar said Egypt was playing active role as go-between, but not as mediator. He said high level Iraqi-Iranian meeting in process of being set up. Egyptians had passed message to Shah in Europe and now awaiting his reply. He hoped Foreign Minister Hammadi, of whom he has low opinion, would not be chosen to continue negotiations.

4. French Ambassador Pierre Cerles told me PM Chirac had also discussed Iraq with Shah and passed message from GOI during his recent visit to Iran.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750040–0466. Secret. Repeated to Abu Dhabi, Amman, Beirut, Cairo, Damascus, Islamabad, Jidda, Kuwait, Kabul, London, Moscow, New Delhi, Paris, Tehran, and Tel Aviv.

<sup>2</sup> According to telegram 52 from Baghdad, January 18, Iraqi efforts to negotiate a settlement with Iran had reached a new level: Foreign Minister Hammadi traveled to several Arab countries January 11–13 with messages from President Bakr in an effort to generate Arab pressure on Iran and he left for Istanbul January 16 to meet with Khalatbari. (Ibid., D750020–1002)



5. *Comment:* It has been evident for some time that, from Baghdad vantage point, usually cited Iraqi-Iranian differences such as seizure of Tunbs (which Iraq willing to turn over to Arab League), Shatt al-Arab (Iraq apparently willing to accept thalweg if face saving formula can be found to negotiate new treaty), frontier demarcation, and even Kurdish war are not main issues nor difficult to resolve.<sup>3</sup> Basic issue is profound historical and ideological difference accompanied by total lack of mutual confidence. Baathis are convinced Shah is determined to overthrow their regime and Shah, according to many observers, is equally convinced Baath regime backed by USSR is out to get him. What efforts of Egyptians, French and others may succeed in doing is giving Shah more realistic appraisal of Iraqi regime. Iraqi actions during past two years, including resumption of relations with Iran, FRG and UK; public rapprochement with conservative Arab leaders; extensive economic deals with U.S., West Europeans and Japan; and most recently reception of David Rockefeller, contract for two Sheraton hotels and purchase of eight more Boeings give substance to Egyptian analysis. It is more important that Iraq's neighbors be aware of this substance rather than allowing their attention to focus only on radical rhetoric which regime still finds necessary to spout for domestic political reasons. Rhetoric is clearly becoming increasingly meaningless as gauge of Iraqi policy.

**Lowrie**

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<sup>3</sup> According to Khalatbari's report of his initial talks with Hammadi, transmitted in telegram 1068 from Tehran, February 4, these issues brought the meeting to an impasse almost as soon as discussions began. (Ibid., D750040-0631)

**272. Memorandum From Peter W. Rodman of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, February 6, 1975.

**SUBJECT**

Reply to Letter from Barzani

Kurdish leader Barzani has sent you a long letter (Tab B)<sup>2</sup> analyzing the political and military situation in Kurdistan and Iraq. He asks for additional military assistance to make maximum use of the winter to improve his military position, and he outlines an ambitious political program against Iraq. These points are summarized by CIA on the first pages.<sup>3</sup>

Barzani wishes, however, to make “a personal and more detailed presentation of these issues” to you, and therefore asks if he or an emissary could come here for a visit.

Colby advises against a visit (a) because its main purpose would be to importune you for more aid, which we can’t provide, and (b) because of the security risks. A visit by Barzani could not possibly be done securely; Colby does feel that a visit by an emissary, on the other hand, could be kept secret, at least at this end.

A visit of this kind would serve no purpose except as a hand-holder. However, in view of the valiant and important effort the Kurds have been making, you might consider some way of responding positively to Barzani’s appeal. For you to receive his emissary is a possible solution. The effort we are making [*less than 1 line not declassified*] should be enough for you to show him when he comes. A draft reply to Barzani along these lines is at Tab A.<sup>4</sup>

*Recommendation:*

That you approve the draft reply to Barzani at Tab A.

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<sup>1</sup> Source: Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 19, Kurds (2). Secret; Sensitive. Sent for action.

<sup>2</sup> The letter of January 22 is attached but not printed.

<sup>3</sup> Colby’s January 30 memorandum to Kissinger is attached but not printed.

<sup>4</sup> Not attached. No record of Kissinger’s response has been found.

**273. Defense Intelligence Notice Prepared in the Defense Intelligence Agency<sup>1</sup>**

DIADIN 529–75

Washington, March 7, 1975.

## IRAN–IRAQ

*An Accord To End Outstanding Disagreements Has Been Concluded.*

The Shah and Iraqi Vice President Saddam Husayn al-Tikriti reportedly met twice during the OPEC Summit Conference in Algiers<sup>2</sup> for frank, lengthy talks concerning the relations between their countries. These talks, following mediation efforts by Egypt and Jordan, were arranged by Algerian President Houari Boumediene and were conducted in his presence. The resulting joint communiqué issued yesterday represents significant concessions by both parties and indicates agreement on a definitive demarcation of the land frontier southward from the junction with Turkey; definition of the common border in the Shatt al-Arab River on the basis of the channel median line or thalweg; reestablishment of security along the border; and a commitment to “maintain strict and effective control over their joint borders in order to put a final end to all acts of subversion wherever they may come from.”

The Foreign Ministers of Iran and Iraq are scheduled to meet with Algerian Foreign Minister Bouteflika on 15 March in Tehran to make arrangements for a mixed committee to work on implementing the terms of the accord. Algerian representatives will be invited to attend committee meetings and the Algerian President will be called upon to provide “fraternal assistance” as necessary. To underscore their sincerity, the Shah and Saddam Husayn agreed to exchange official visits in the future.

The agreement represents a dramatic first step toward the normalization of relations, but implementation could be a long drawn out and acrimonious process. It is likely that both parties will warily watch for any indications of duplicity and will not hesitate to break off the committee’s work if such behavior is perceived.

The apparent amity expressed in Algiers is probably causing great concern to Kurdish leaders who are dependent upon Iranian support for the continuance of the rebellion against Iraq. It also represents a significant development in the context of the Arab-Israeli confrontation

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<sup>1</sup> Source: Washington National Records Center, OSD Files: FRC 330–78–0058, Box 65, Iran 000.1–299, 1975. Secret; No Foreign Dissem. A typed note at the top of the first page reads: “This Notice is designed to provide intelligence in support of future decisions with respect to security policy or posture.”

<sup>2</sup> The OPEC summit meeting was held in Algiers March 4–6.

since normalization could eventually free the Iraqi army from its preoccupation with the Kurds and enable it to deploy the majority of its forces against Israel. Finally, the official announcement that both parties agree that the area should be safe from any foreign interference could portend a forthcoming joint effort to eliminate any Western or Soviet presence in the Persian Gulf

Sources: Emb Algiers, 2042 6 Mar 75;<sup>3</sup> Various Press 6 Mar 75

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<sup>3</sup> Not found. A summary of the Algiers Accord was sent to Kissinger in telegram Tosec 73/50649, March 6, which repeats telegram 619 from Algiers. (National Archives, RG 59, Central Foreign Policy Files, D750079–0199) Kissinger left Washington on March 6 and was in the Middle East March 8–23 to negotiate an Egyptian-Israeli disengagement agreement.

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## 274. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, March 8, 1975, 1313Z.

248. Cairo for Secretary's party. Subject: Iraqi-Iranian Agreement. Ref: Baghdad 103, 131, 156.<sup>2</sup>

1. *Summary.* RCC Vice Chairman Saddam Hussein made major concessions to obtain accord with Shah. If carried out, accord could be historic turning point in Iraqi-Iranian relations and augur well for regional stability. However, past actions and attitudes on both sides demand that it be viewed with skepticism. Saddam has, by embracing Shah, made major gamble at time when extremist elements of Baath are increasingly vocal in opposition to Saddam's ME policy and any Iraqi acquiescence in ME settlement. *End summary.*

2. Algiers Accord of March 6 between Shah and Saddam Hussein was given banner treatment in Iraqi media, including TV scenes of two

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750082–0252. Secret; Priority; Exdis. Repeated to Abu Dhabi, Algiers, Amman, Ankara, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Moscow, Paris, Tehran, Tel Aviv, and Tunis.

<sup>2</sup> Telegram 103 is Document 271. Telegram 131 from Baghdad, February 8, conveyed the conviction of the French Ambassador that the Iraqi regime had changed and that an Iraqi-Iranian settlement was likely. (Ibid., D750047–0823) In telegram 156 from Baghdad, February 13, Lowrie reported that the Iranian Ambassador had assured him of Iran's interest in coming to terms with Iraq in the name of regional stability. (Ibid., D750057–0348)

principals embracing. Major elements of accord as published here are as follows (assume full text in FBIS):

3. Demarcation of river frontier according to thalweg line;
4. Demarcation of land frontiers on basis of 1913 Constantinople Protocol and minutes of 1914 Frontier Demarcation Commission;
5. Strict and effective control along borders to end all subversive infiltration from either side.

6. Above three arrangements are indivisible elements of comprehensive settlement. Two parties will remain in constant contact with President Boumediene as accord is implemented.

7. Foreign Ministers will meet in Tehran March 15 to establish work arrangements for mixed commission to implement agreement.

8. Shah accepted invitation to visit Iraq and Saddam to visit Iran.

9. *Comment:* Saddam Hussein giving up of Iraqi territory on Shatt al-Arab without even face-saving device of prior negotiated treaty is major concession and best illustration of his determination to end Iranian assistance to Kurds even at risk of his own position. Another Iraqi concession was absence of any mention of Iranian seizure of Tunbs and Abu Musa. Demarcation of border has never been a major problem, but only symptom of deeper differences.

10. Shah, on other hand, appears to have gotten what he wanted on Shatt al-Arab in return for controlling of border to end all subversive infiltration (which for GOI means end of assistance to Kurdish insurgency) a policy to which he has never admitted. Given Baath track record and Shah's past behavior and opinion of Baath regime, there is good reason for doubting that accord will be fully implemented. For example, does Shah seriously intend to end all aid to Kurds and permit Iraqi forces to destroy them, or was he pressured into agreement by Boumediene, Sadat, et al and by desire for OPEC solidarity. Time will tell.

11. In Iraqi context, Saddam Hussein has shown real political courage. Even before signing of accord there was evidence of growing discontent within Baath Party, particularly national (pan-Arab) leadership, over Saddam's gradual moderation of Iraq's policy toward Palestinians, his rapprochement with West and conservative Arabs, and changing attitude toward ME settlement (notably in joint communiqué with French PM Chirac). All-out attack of national leadership against Syria and negotiated settlement is most striking example (Baghdad 228).<sup>3</sup> How Saddam deals with this glaring contradiction in Iraqi/Baath policy upon his return should provide us with good indication of how serious internal party differences are.

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<sup>3</sup> Not found.

12. Recommendations on how we might encourage consolidation of this first step in Iranian-Iraqi rapprochement contained septel.<sup>4</sup>

Lowrie

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<sup>4</sup> In telegram 249 from Baghdad, March 8, Lowrie recommended that the Secretary send a confidential message to Saddam Hussein, encouraging full implementation of the Iraqi-Iranian agreement. (National Archives, RG 59, Central Foreign Policy Files, D750082–0254)

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**275. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, March 8, 1975, 1015Z.

95. Please pass the following message to Secretary Kissinger from me: *Begin text:*

Will be seeing the Shah at 1700 local today (Saturday), but meanwhile want you to have what General Nassiri, Chief SAVAK, gave [*less than 1 line not declassified*] this morning for passing to me, on instructions of Shah. [*1 line not declassified*]

"1. His Imperial Majesty instructed General Nassiri to provide the following information for the Ambassador before his audience with H.I.M. this afternoon.

"2. As you know General Barzani submitted a report which was brought to His Majesty's attention before he left for Algiers.

"3. Until now Iran has provided Barzani with whatever he wanted whether money or other requirements. Iran even provided several field guns and anti-aircraft guns and Iranian personnel, not in uniform, to man them.

"4. In Barzani's message to H.I.M. was a statement, which H.I.M. noted before he left for Algiers, which read as follows:

It is quite possible for us (the Kurds) to capture many enemy positions but of course with a lot of casualties. But to hold those positions is impossible for us. Immediately after capturing a certain position we would come under fire by Iraqi heavy long-range artillery and air at-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 3/75. Secret; Sensitive; Eyes Only.

tacks, as a result of which we would have to evacuate the captured position. (End of quotation from Barzani message to H.I.M.)

"5. On the other hand, President Boumedienne, President Sadat and King Husayn told us the Iraqis were ready to settle all their disputes with us provided that we discontinue aid to the Kurds.

"6. The Kurds, as you know, had said they were unable to fight. The Iraqi Army, with the equipment received from the Soviet Union could easily annihilate the Kurds this coming summer.

"7. It was not in Iran's interest any longer to send our own troops to the other side of the border. Therefore the following was decided in Algiers in a conference between H.I.M. and Saddam Husayn al Tikriti in the presence of Boumedienne:

The Kurds will be given one week's time to consider well the situation. Then whoever wishes to remain in the Kurdish area of Iraq can do that and continue fighting; whoever wishes to come to Iran may do so; and whoever wishes to surrender to the Iraqi Government may do so.

Two weeks time will be given for those who wish to come to Iran. After two weeks the border will be completely closed. Those coming to Iran may bring their arms and ammunition with them. (The Iranians plan to disarm them.)

"8. These are principles. Details will be worked out.

"9. In the discussion with Saddam Husayn and Boumedienne it was pointed out by H.I.M. that a Kurdish Communist movement might try to fill the vacuum left by Barzani. The Iraqis replied they would not permit a single Kurdish Communist to exist in Iraq. (General Nassiri privately commented this remains to be seen.)

"10. The Iraqis have postponed addressing the question of reducing their ties with the Soviets until such time as the Kurdish question is resolved. Iraqi propaganda broadcasts against Iran ceased on 7 March.

"11. The Iraqi Foreign Minister will open talks with the Iranian Foreign Minister in Tehran on 15 March. End of General Nassiri's statement."

Warm regards and best wishes. *End of text.*

**276. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, March 8, 1975, 1554Z.

96. Reference: Tehran 095 081015Z.<sup>2</sup>

Please pass the following message to Secretary Kissinger from me as a supplement to referent telegram: *Begin text:*

At audience this afternoon Shah asked that I send you this message from him. It is put in quotation marks as a reasonable approximation of what he said: "When I returned home after meeting with you in Zurich,<sup>3</sup> I received a message from General Barzani saying that it was becoming impossible to carry on fighting under existing circumstances, that his people would be massacred unless something could be done. He declared that the Kurdish forces must have more sophisticated weapons and more Iranian military support or that the Kurds be permitted to declare their independence like Cyprus did. I did not see how we could increase our military commitment without going to open war with the Iraqis. Then on March 2 I saw Ashraf Marwan (this was the day after I received Ambassador Helms) who had just come from Baghdad. He repeated message I had received through others, i.e. that Saddam Hussein was ready to pull Iraq out of Soviet orbit if Iran would take away the [garble—military struggle?] which was forcing them into the arms of the Soviets. Marwan expressed the view that he was almost certain that Saddam would pull away from Soviets as promised. In Algiers Boumedienne pushed hard and showed great interest in bringing me together with Saddam. The first meeting was unproductive. Saddam mouthed the same things the Iraqis have been saying for ten years, and I so told Boumedienne. At the second meeting there was a big change. The main results have been published. On the Kurds I got two promises from Saddam; one, that Barzani and his people would have one week to decide whether they wanted to stay in Iraq or come to Iran where they will have a haven, a decent life, and be able to withdraw without bloodshed.<sup>4</sup> They will be given till the end of the month for their withdrawal. (My earlier message said 'two weeks' and the

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 3/75. Secret; Sensitive; Eyes Only.

<sup>2</sup> Document 275.

<sup>3</sup> See Document 103.

<sup>4</sup> According to backchannel message 97 to Kissinger, March 9, Helms noted that Barzani was in Tehran and had been informed of Saddam's promise, but had yet to notify the Shah of his decision. (Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 3/75)



Shah may mean the end of the Iranian month on March 20.) The second promise was that the security services of the two countries would work together, briefing each other on which Kurds were good and which were bad (read Communist). This will, I hope, prevent the establishment of Communist Kurds in Barzani's territory. All this, mind you, was agreed in front of Boumedienne and he approved it all. How it will work out, I obviously do not know. But I felt that I had to take a chance since otherwise the Kurdish cause would be hopeless in the relatively near future and I might be accused of having destroyed a chance for getting the Iraqis out of the Soviet orbit. In any event Boumedienne was jubilant and all the participants at the OPEC conference seemed equally pleased."

The Shah mentioned that the Iraqis have already ordered troops into action against the Kurds since these agreements were made. He said he had brought this to the attention of Boumedienne as a violation of the understandings. He had had no word as to what effect his remonstrance had had on the Iraqis. (Other matters covered in the audience will be filed in regular State Department channels Sunday.)<sup>5</sup> Warm regards.

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<sup>5</sup> Telegrams 2209, 2216, and 2237 from Tehran, March 9. (National Archives, RG 59, Central Foreign Policy Files, D750082–1028, D750082–1004, and D750082–1131)

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**277. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, March 10, 1975, 1533Z.

WH50365. Would you please pass the following oral message to the Shah from Secretary Kissinger in response to the Shah's latest message on his agreement with Iraq:<sup>2</sup>

"Your Imperial Majesty: I very much appreciated receiving through Ambassador Helms your full report on the agreement you have reached with the Government of Iraq with respect to the Kurdish

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 3/75. Secret; Sensitive; Eyes Only.

<sup>2</sup> See Documents 275 and 276.

question. There is little I can add to what I have already said to you personally during our recent meeting.<sup>3</sup> This is obviously a matter for Your Majesty to decide in the best interests of your nation. Our policy remains as always to support Iran as a close and staunch friend of the United States. I will of course follow with great interest the evolution of Iraqi-Iranian relations and of Iraqi policy in your area generally and toward the Soviet Union in particular. Warm regards. Henry A. Kissinger."

Warm regards.

[Omitted here is the text of the message from Kissinger to Scowcroft requesting Helms to deliver the message to the Shah, followed by a copy of Kissinger's message.]

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<sup>3</sup> See Document 103.

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**278. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to Secretary of State Kissinger<sup>1</sup>**

Washington, March 10, 1975, 1930Z.

WH50370/Tohak 55. From Ambassador Helms, Tehran 1188.<sup>2</sup>

1. Please pass the following letter which [*less than 1 line not declassified*] has just received from General Mulla Mustafa Barzani, which reads as follows:

"His Excellency Dr. Henry Kissinger

Secretary of State

Washington, D.C.

March 10, 1975

Your Excellency:

Having always believed in the peaceful solution of disputes including those between Iran and Iraq, we are pleased to see that these two countries have come to some agreement in Algeria. However, our hearts bleed to see that an immediate by-product of this agreement is

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<sup>1</sup> Source: Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 19, Kurds (3). Secret; Eyes Only; Immediate.

<sup>2</sup> Not found.

the destruction of our defenseless people in an unprecedented manner as Iran closed its border and stopped help to us completely and while the Iraqis began the biggest offensive they have ever launched and which is now being continued. Our movement and people are being destroyed in an unbelievable way with silence from everyone. We feel Your Excellency that the United States has a moral and political responsibility towards our people who have committed themselves to your country's policy. In consideration of this situation we beg Your Excellency to take action as immediate as possible on the following two issues.

1. Stopping the Iraqi offensive and opening the way for talks between us and Iraq to arrive at a solution for our people which will at least be face-saving.

2. Using whatever influence you have with the Iranian friends to help our people in these historically tragic and sad moments and at least in such a way that our people and Peshmergas could maintain some livelihood and perform at least partisan activities in Iraqi Kurdistan until our problem is also solved within the framework of the over-all Iranian-Iraqi agreement.

Mr. Secretary, we are anxiously awaiting your quick response and action and we are certain that the United States will not remain indifferent during these critical and trying times.

We have also written in detail on these issues a memorandum to His Imperial Majesty.

Please Mr. Secretary, accept our highest expressions of appreciation and good wishes.

/S/Mustafa Barzani" *End text.*

2. Since the Iranians clearly have on their hands, and we to a lesser extent on ours, an obviously distressed and disconsolate Barzani, it may be desirable for you to send him some kind of comforting message,<sup>3</sup> otherwise, and maybe anyway, we will get a batch of unpleasant publicity which we may be able to avoid, [*less than 1 line not declassified*]. I recommend that the subvention to the Kurds be continued [*3½ lines not declassified*].

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<sup>3</sup> See Document 281.

## 279. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, March 13, 1975, 1034Z.

2351. Department please pass to Secretary. Subj: Iran/Iraq Relations. Ref: (A) Tehran 1968, (B) Tehran 2237.<sup>2</sup>

1. The continuing attack of Iraqi forces against the Kurds puts the Shah's agreements reached at Algiers in possible jeopardy. The question of why the Shah took this gamble and put himself in this embarrassing position bears an effort at explanation.

2. As we have pointed out in earlier telegrams, the Shah has wanted for years to get rid of the 1937 treaty provisions on the Shatt al-Arab. This issue has assumed an importance in his mind out of all proportion to how others would see it. Since Iraqi Vice President Saddam Hussein publicly agreed in the presence of several Arab chiefs of state that the Shatt al-Arab frontier should be defined on the basis of the "thalweg", this concession (which even Nuri Said always rejected), has become a matter of international public record. It will strengthen Iran's *de jure* position even if Saddam Hussein should renege when it comes to the actual negotiation of a new treaty. Any future regime in Iraq would also be in a better position to accept the thalweg as a *de jure* frontier because of the precedent of its having been publicly accepted by a government with radical Arab nationalist credentials. To get this acceptance the Shah gave up his "Kurdish card", doubtless beyond possibility of recovery. He probably did not anticipate that Saddam Hussein immediately would violate the letter and spirit of their Algiers agreement by ordering an all-out attack on the Kurds on all fronts. Faced with the fact, however, the Shah, whatever he may think privately, seems disposed to accept the Iraqi claim that their forces only have been defending themselves against Kurdish attacks. To do otherwise would be to acknowledge that Saddam Hussein successfully tricked him. Since the Shah decided he could not risk further direct involvement in Iraq, he must pretend not to know the Iraqis are deliberately violating their Algiers agreement.

3. Normally the Shah is prudent and careful when taking actions. In this case he appears to have moved precipitately. According to Uri Lubrani, unofficial Israeli Ambassador here, Iranian political and mili-

<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750087–1108. Secret; Immediate; Exdis.

<sup>2</sup> Telegram 1968 was not found. Telegram 2237 from Tehran, March 10, conveyed the Shah's summary of the negotiations in Algiers with Saddam Hussein. (Ibid., D750082–1131)

tary officials first learned of the accords with Saddam Hussein when the Shah stepped off the plane from Algiers and started issuing orders. Minister of Court Alam, in a conversation Thursday morning, emphasized again how much the Shah wanted the accord on the Shatt al-Arab. Clearly the Government of Iran is now confronted with behavior on the part of Saddam Hussein which, according to those knowledgeable of Ba'athist mentality, is running true to form. These individuals wonder why the Shah, who knows Arabs well, permitted himself to be booby-trapped. To them the Shatt al-Arab question was not that important, but as pointed out above, it probably was "that important" to the Shah.

4. Lubrani asked Wednesday evening for my interpretation of the Shah's moves on Iraq. In addition to mentioning the factors outlined above but without attribution, I pointed out that there was no indication Iran was moving closer to the radical Arabs or to the Arab states, for that matter. (The Shah takes pleasure these days in quoting a remark made by President Sadat's advisor, Ashraf Marwan, on his last visit to Tehran to the effect, "We Egyptians are fed up with the Arabs.") Also, there is no indication that the Shah is more trusting of the Iraqis than he was before. He simply wants to hold on to the Shatt al-Arab agreement. A by-product of his embarrassment over the Iraqi attack on the Kurds will undoubtedly be a scrupulous adherence to any kind of undertakings he has made to other countries. In other words, his sense of pride could not afford to have it said that after letting down the Kurds (which he did not intend but which he risked), he had now abrogated some other agreements. Lubrani was pensive about this observation, then agreed that psychologically it was probably true in the Shah's case. He then said that he could not envisage the Iraqis withdrawing many troops from the Kurdish front for a long time to come and that therefore the military balance vis-à-vis Israel would not be particularly affected. He figures that the Iraqis will try to "Arabicize" the Kurdish area as rapidly as possible, but this obviously will take time. His primary concern appeared to be whether Iran was getting closer to radical Arab nations. He seemed somewhat reassured by my remarks.

**Helms**

**280. Message From the Central Intelligence Agency to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, March 13, 1975.

Following are copies, for your records, of two messages sent [*less than 1 line not declassified*] to Secretary Kissinger from Director Colby concerning Kurdish situation. [*3 lines not declassified*]

*Message A*

"Recognize that Shah's recent concluded agreement with Iraq leaves Kurds in exposed position, and share sympathetic concerns for Kurdish plight. Nevertheless, believe complexity of situation and continuing murkiness of some aspects of it argue forcefully for deferring decisions concerning shape of relationship with Kurds, including monthly subvention, until clearer picture emerges and there has been opportunity for fuller study and discussion here of ramifications."

*Message B*

"Available evidence indicates Shah is scrupulously honoring his 6 March agreement with Iraq by complete cessation of assistance to Kurds. We see a manifestation of this reflected in the impassioned character of Kurdish pleas to us for direct, unilateral, military and financial assistance to them. The fundamental premise of our past commitments has been that all aid to Kurds must be indirect via the Iranians, and in the new situation we believe direct aid by us would be even less defensible than in the past. We doubt that in the new situation the Shah, having ended his own support to the Kurds, will be willing to continue to serve as the channel for our funds, but we cannot be absolutely certain of this until we have had opportunity to discuss matter with the Shah. However, even if the Shah should prove amenable to continuing as funnel for our aid, there very serious question whether it justifiable for us to continue it. This is question which my previous message suggested be deferred until there opportunity to go into all aspects of it carefully on your return here.

"In the meantime, Kurds have been caught short and are hurting badly. Their current emotionalism arising from feelings of abrupt abandonment by their allies creates possibility of undesirable indiscretions by the Kurds. We hope to avert this possibility by two interim steps intended to have some calming effect. [*2½ lines not declassified*] Secondly, I

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<sup>1</sup> Source: Ford Library, National Security Adviser, Kissinger–Scowcroft West Wing Office Files, Box 19, Kurds (3). Secret; Sensitive; Eyes Only.

propose that we seek the Shah's consent for SAVAK to pass to the Kurds our subvention [*less than 1 line not declassified*] for the month of March, but request your concurrence before approaching the Shah. Believe we have a commitment to the Kurds for this month at least as this development occurred in mid-month. Believe it additionally justifiable on humanitarian grounds during the ceasefire period which will extend until 1 April."

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**281. Backchannel Message From the President's Deputy Assistant for National Security Affairs (Scowcroft) to the Ambassador to Iran (Helms)<sup>1</sup>**

Washington, March 16, 1975, 1336Z.

WH50453. 1. Secretary Kissinger has asked me to pass the following message to you.

2. *Begin text:* I have received your reports on the Iran–Iraq agreement as it affects the Kurds and the message from Barzani with your recommendations.<sup>2</sup>

To begin with, please reply to Barzani's message with the following oral message: "We appreciate the deep concern which prompted General Mulla Mustafa Barzani's message to Secretary Kissinger. We can understand that the difficult decisions which the Kurdish people now face are a cause of deep anguish for them. We have great admiration for the courage and dignity with which those people have confronted their many trials, and our prayers are with them. We will be talking with our Iranian friends and will be in contact with the General later."

You should also approach the Iranians in whatever way you consider appropriate and attempt to determine how Iran intends to handle its future relationship with the Kurds. On the one hand, as you have noted, there would seem to be some responsibility not to cut them off suddenly and completely. You should find a tactful way to mention the problem both the Iranian and the U.S. Governments will face in the U.S. and elsewhere if there is a massacre and Barzani charges that he has

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Outgoing 3/75. Secret; Exclusively Eyes Only. Sent with the instruction to deliver at the opening of business.

<sup>2</sup> Documents 275, 276, and 278.

been let down. The plight of the Kurds could arouse deep humanitarian concern. On the other, it would create an impossible situation if we were to be working at cross purposes with Iran.

Finally, you are authorized to tell the Shah we are prepared to provide the March subvention and seek his views. Bill Colby will provide any necessary added details on this. *End text.*

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**282. Backchannel Message From the Ambassador to Iran (Helms) to the President's Deputy Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Tehran, March 19, 1975, 0955Z.

103. Reference: WH50453.<sup>2</sup>

Please pass the following message to Secretary Kissinger: *Begin text:*

1. Your message to General Mulla Mustafa Barzani was delivered orally to his representative in Tehran on 17 March for special courier relay to the General at his headquarters in Kurdistan. The message should have a reassuring effect and reduce the chances that the General or someone around him will charge they have been let down.

2. Late on 18 March, the [*less than 1 line not declassified*] Chief of Station discussed the Kurdish situation with the Shah along lines directed by you as relayed in reference. The Shah said he understood the problem and appreciated our concern. He repeated his rationale for the Algiers Agreement along the lines previously given to me and reported in Tehran 096 of 8 March.<sup>3</sup> He had seen no other alternative, he said, to either letting the Kurds be destroyed by the Iraqi spring offensive, or openly going to war to protect them.

3. He said he hoped that the Iraqis would abide by their promises and would allow those Kurdish refugees in northern Iraq and Iran who wished to do so, to return to their homes without penalty. He is encouraging the Kurds to have as many of the Pish Merga as possible seek asylum in Iran while the border is still open. Non-combatants can probably come over later, he said, since the Iraqis are less likely to interfere

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<sup>1</sup> Source: Ford Library, National Security Adviser, Backchannel Messages, Box 4, Mideast/Africa, Incoming 3/75. Secret; Exclusively Eyes Only; Immediate.

<sup>2</sup> Document 281.

<sup>3</sup> Document 276.



with them or wish to keep them. He plans to ask Turkey to allow Kurdish refugees to pass through their territory to come to Iran. He now realizes that Kurds in the west can hardly make it to Iran by the 1 April deadline.

4. The Shah said he will continue to provide support for the Kurdish refugees in Iran at a level which will allow them to leave [*live?*] decently and with dignity. He is thinking of some kind of continuing military training for the Pish Merga who cross into Iran.

5. The Shah approved payment of our March subvention via SAVAK. He said that he will also give instructions that his own financial subvention be paid for March at the old level. After that, due to the changed situation he will reduce his financial assistance appropriately. The Station Chief informed the Shah that due to the completely changed situation our subvention for March might be the last we could provide under existing authorizations. The Shah did not challenge this.

6. The Shah is aware that Iraq may renege on parts of the Algiers Agreement. He hopes the Kurds will follow a course which will not give him a huge additional burden of refugee support. He hopes the United Nations and the International Red Cross will play a larger role in refugee assistance.

7. Warm regards and good luck! *End text.*

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## 283. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, March 23, 1975, 1232Z.

2684. Beirut pass USINT Baghdad. Subj: Kurdish Refugees. Ref: (A) State 65458, (B) Beirut 3547, (C) Tehran 2653, (D) State 60263.<sup>2</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750101–0757. Confidential; Limdis. Repeated to Ankara, Beirut, Geneva, and USUN.

<sup>2</sup> In telegram 65458 to Tehran and Baghdad, March 22, the Department asked to what extent the Kurds were in danger of genocide, whether an extension of the truce would save lives, and whether humanitarian assistance was needed. It concluded by asking for comment on Barzani's request for refuge in the United States. (Ibid., D750101–0586) In telegram 3457 from Beirut, March 22, the Embassy reported on Barzani's appeal for U.S. protection of the Kurds against genocide and asylum for himself and his family, as conveyed by *Washington Post* reporter Jim Hoagland. (Ibid., D750101–0202) Telegram 2653 from Tehran, March 21, reported on the Iraqi-Iranian border negotiations and on the growing number of Kurdish refugees in Iran. (Ibid., D750099–0658) Telegram 60263 has not been found.

1. Embassy not able to judge whether genocide in fact underway in Iraq. In his March 19–20 interview with newsmen Barzani apparently did not say genocide is in progress, but that it might begin. *NY Times'* Eric Pace and *LA Times'* Bill Tuohy confirm other essentials of Hoagland's story summarized in refTel B except Barzani's request for asylum in US. Reuters correspondent Gwen Roberts and *Time Magazine* stringer Leroy Woodson participated in Hoagland interview with Barzani. Although Barzani admitted revolt was collapsing and Kurds would have to flee to Iran or surrender, he did not unequivocally ask for asylum in US. According to this version, he said that in case of genocide against Kurds he would ask US help and possibly ask for asylum.<sup>3</sup>

2. Pace (protect) told EmbOff March 23 he had filed original story about March 17 from Kurdish source alleging Kurdish contact with AmConsul Tabriz and Embassy Tehran requesting urgent aid (State 61211),<sup>4</sup> only to find later that Kurdish emissary had failed to accomplish his mission. Hoagland's report of Barzani's appeal for USG assistance may therefore be based on incorrect Pace story.

3. Journalists returning from Iraqi Kurdistan confirm flood of refugees moving into Iran. Kurdish sources tell them some 2,000 to 5,000 are arriving in Haj Omran every day on way to border. A more northerly route to border near Ashman, some 20 kilometers north of Piran-shahr (Khaneh) now also being used. Movement along this route is slow due to winter snows, which would argue need for extension of amnesty period past April 1 to facilitate travel. Extension of amnesty would have to be done by Iraqi Government which announced it. Many Kurdish refugees with professional backgrounds (e.g. engineers, doctors) are congregating in Rezaieh and have expressed to newsmen their hopes of seeking refuge in US.

4. Two Kurdish refugees visited Embassy March 23 asking to go to US. They confirmed that Barzani had counseled Kurds to surrender to Iraqis or flee to Iran. In their opinion almost all members of Pesh Merga (60,000) and militia (40,000) would flee to Iran, because Kurds had heard that some who had tried to surrender near Zozak Mountain had

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<sup>3</sup> In telegram 303 from Baghdad, March 24, the Interests Section argued against giving refuge to Barzani and his associates, since the Iraqi Government was finally convinced that no U.S. aid had gone to the Kurds, removing an obstacle to renewed relations. (Ibid., D750102–0307) In telegram 296 from Baghdad, March 22, Lowrie described Saddam Hussein's interview with Cy Sulzberger of *The New York Times* as "good evidence of his continuing desire to prepare ground for eventual resumption." Lowrie observed that Saddam had risked much in shifting policy toward Iran and making a concession on the Shatt al-Arab, displeasing the Kurds, the ICP, the Soviets, Ba'ath extremists, and his enemies. Therefore, Saddam's vague responses during the interview reflected the difficulty of new positions on sensitive issues such as U.S.-Iraqi relations "until he has assured support for Iranian accord." (Ibid., D750102–0450)

<sup>4</sup> Not found.

been fired upon. There were also reports that Iraqis are keeping Kurds who had surrendered in concentration camps. Thus most Kurds saw no alternative to fleeing to Iran, although they did not trust Iran very much either. In their view Iran had withdrawn munitions, supplies, and artillery support, leaving Kurds to their fate, and might some day force Kurds back across border when it no longer wanted to support them. Both men are educated and have worked for Kurdish Democratic Party, one as Information Officer at Darband where he briefed foreign correspondents. They conceded that many Kurds were farmers and shepherds who would not want to live in US or Western countries and would probably stay in Iran. But they said there would be many young people like themselves who would want to go to US to escape persecution and seek work.

5. On humanitarian assistance: Pace reported doctor and two nurses of Save Children Fund working in Iran with Kurds have been operating across border in Iraq. ICRC representative Agartz of Sweden has set up office in Rezaieh. Large truck with ICRC medical supplies has been held up in traffic at Turkish border with Iraq. Neither refugees nor newsmen have reports of any serious humanitarian needs, as Iranian Red Lion and Sun well organized to provide assistance.

6. *Comment:* Iran has stated its willingness to help Kurds and has said Kurds will not be forced to return to Iraq. Refugees are clearly skeptical, at least over longer run, but most have nowhere else to go. Large number Kurdish males of working age may cause serious problems wherever camps located. Kurdish member Iranian Parliament told EmbOff there was already some friction between refugees who are on dole and Iranian Kurds who "have to work for a living." One report says GOI may move more Kurds to Khuzistan to avoid contact with Iranian Kurds. Kurds would not like this because climate and terrain are greatly different from what they are used to. Money to support refugees is not a current problem but may become one if most choose to remain permanently.

**Helms**

## 284. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>

Tehran, March 25, 1975, 1250Z.

2751. Subj: Iran/Iraq Accord: Analysis of Iranian Perspective. Ref: Tehran 2684.<sup>2</sup>

*Summary:* Five considerations seem to have influenced Iran's reaching Accord with Iraq: Iraqi concessions of thalweg principle, probability of Kurdish defeat in absence of increased Iranian assistance, threat to Iran's OPEC leadership, internal problems and GOI's perception of change in Middle East. We think these considerations sufficiently strong to sustain Iran's determination to do its part for extended period to carry out its accord with Iraq. There is already evidence to support this analysis in Iran's attitude toward Barzani and his followers. *End summary.*

1. Iran/Iraq Accord, plainly one of more significant events in Iran's recent diplomacy, raises two questions. Based on previous hostility, how long can Accord be expected to last? Secondly, does Accord signify basic shift in Iran's orientation towards Middle Eastern states? As background for approaching these questions, we think there were five considerations which led Iran to conclude Accord with Iraq:

A. The thalweg. Clearly, when offered long-sought and psychologically important thalweg as Shatt al-Arab boundary, Iran could hardly refuse, especially in presence of OPEC partners. However, Iran would not have been offered thalweg had it not made significant concession on its aid to Kurds. Kurdish problem, because of its high human costs, appeared to have been on verge of causing serious difficulties for Baathists. Iran already had workable de facto situation on Shatt al-Arab, and to cause Shah to abandon his prime objective of shaking despised Baathist regime there must have been more powerful motivation than recognition of thalweg. In other words, we believe thalweg was more of a condition than a motive for the Accord. Without thalweg there would have been no Accord, but it was not sufficient reason in itself for Iran to conclude broad agreement with Iraq.

B. Termination of Kurdish fighting. Against background of last year's relatively successful Iraqi offensive against Kurds, and prospect of another drive against them this spring, Iran faced dilemma of either watching the Kurds defeated or substantially increasing military assist-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750103–1087. Secret; Exdis.

<sup>2</sup> Document 283.

ance and risking escalation to open war with Iraq.<sup>3</sup> We do not think the Shah wanted to become more deeply involved with the Kurds, primarily because we do not believe he has unlimited confidence in capabilities of his army and he has said he had no great regard for ability of Kurds to withstand Iraqis. Therefore his concession to Iraq was also a timely adjustment in Iran's commitments.

C. OPEC leadership. No one in OPEC wanted serious Iranian/Iraqi conflict which could cause Arab states to take sides and fracture organization's unity. Iran, in particular, did not wish to see troubles with Iraq result in weakening Shah's leadership position. Harmony with Algeria and Egypt is important for the Shah in order to prevent Saudi Arabia from assuming a foremost position in OPEC and to enable Iran to exercise moderating influence against radical tendencies led by Algeria within organization. Thus Algeria, Iran and Iraq, each for separate national reasons related to OPEC, saw great benefit in Algiers Accord.

D. Internal problems. We have impression that Iranian leadership feels considerable irritation at continuing manifestations of internal dissent. With obvious improvement in standard of living and prospects for greater progress over relatively short term, persisting difficulties with unruly students and sporadic terrorism are source of frustration for GOI. Shah has been told by Egypt, Jordan and Algeria of greater moderation in Baathist outlook and possible Egyptian-like turning away from Soviets in Baghdad. It would be major coup for GOI if Soviet influence in Iraq were broken. Shah probably thought it was worth testing Iraq's willingness to limit support for subversion and propaganda against Iran, just as he earlier did with USSR, China and other Communist countries. Moreover, tensions with Iraq have never been popular with Iranian religious elements or left-wing students. GOI was certainly not adverse to courting public favor on this issue.

E. Middle East political flux. There is an active search for new alignments in this region: Saudi Arabia and Arab oil countries are buying friends with large sums; Egypt's diplomacy seems more active and successful than ever; Iraq is sending feelers to moderate states; and U.S. position on Israel seems subject to possible modification. In these conditions of new opportunities and uncertain future, Shah must feel it necessary to be on as friendly a footing as possible with his regional

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<sup>3</sup> According to a memorandum from Ellsworth to Clements, April 28, the Shah offered the risk of open warfare with Iraq to MAAG Chief Brett on April 21 as his motivation for reaching an accord with Saddam Hussein. In a handwritten note, Clements wrote: "Interesting. I don't agree—probably more to do with Shah's idea of improving relations with Sadat and Saudi Arabia! C" (Washington National Records Center, OSD Files: FRC 330-78-0058, Iran 000.1-299, 1975)

neighbors. He certainly would not wish to see Iraq achieve a morally improved position in Arab world at Iran's expense.

2. If foregoing analysis is correct, we believe following consequences may be expected:

A. Iran will maintain its end of bargain and will be relatively patient with Iraq as it fills its obligations. Facade of cooperation will be important for both regional and domestic reasons. (If *thalweg* were Iran's only motivation, Accord could be denounced on any pretext and Iran would have achieved its point with acceptance of *thalweg* principle by an Iraqi Government.)

B. Main difficulty will be Iraq's treatment of the Kurds. Iran has already been subjected to international criticism for abandoning that cause. We believe that at least through this summer Iran will make a large effort to maintain Accord and let Kurds remaining in Iraq shift for themselves. Border peace over next 6–8 months appears definitely in Iran's interests because hostilities during summer and early fall could erupt into serious fighting, OPEC–consumers talks are in prospect, and domestic scene must be put in order during period when new single party is being formed and Iranian elections are scheduled.

C. Accord probably marks significant Iranian shift towards Egypt and Algeria without, however, fundamentally altering GOI's relationship with Israel. As long as Israel remains militarily strong and able to absorb Arab energies, we see definite Iranian interest in maintaining quiet, mutually beneficial relationship with that state. Israelis will be concerned, however, if, as we anticipate, there are increasing demonstrations of Iran affinity for Arab cause. We suspect that Shah feels Arab states may be riding new crest of confidence and influence and he will wish to strengthen his ties in their direction.

3. There is already evidence of Iranian seriousness in maintaining Accord. Prime Minister Hoveyda is to visit Iraq next week. Iranian press carries optimistic reports of planning for pilgrimages to Iraqi Shiite shrines. And Kurds are receiving absolutely no encouragement in their difficulties with Iraq. In general, publicly and privately, Iranians are welcoming Accord as very positive achievement of regime.

4. Department may repeat this message as desired. If assessment of Iranian motives is to be given to foreign governments, we believe it should be carefully sanitized, as we would not like to see unfavorable interpretation of Iranian motives reflected back to Tehran.

**Helms**

**285. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, April 26, 1975, 0800Z.

454. Dept pass all Arab capitals, London, Moscow, Paris, Tehran, Tel Aviv, for info. Subject: Iraqi Foreign Policy.

1. During April 24 meeting with NEA/ARN Director-designate Arthur Day, MFA DirGen of Political Affairs Ibrahim al-Wali provided succinct statement of current Iraqi foreign policy. This review, although enunciated in generalities, is of special significance because it comes just six days after RCC Vice Chairman Saddam Hussein met with all Iraqi Ambassadors in Arab and developing countries and “expounded the full dimensions of Iraq’s policy in Arab and international fields.” Al-Wali attended this meeting.

2. Al-Wali said Iraq’s chief goals were to end its isolation and have regional peace and stability in order to achieve its own development. Such a policy demanded “realism and pragmatism.” Iraq, therefore, devoted major effort and resources during past year toward rapprochement with Iran and resolution of Kurdish rebellion. This war, in addition to causing instability and uncertainty, had cost Iraq 3 million dinars (US dollars 10 million) a day. Iraq had had to give Iran the territory it wanted on the Shatt-al-Arab. This was a major concession, but it had been necessary and Iraq had every intention of living up to the Accord to the letter. Implementation is proceeding smoothly.

3. In the Arab sphere, Iraq is likewise following a policy based on realism and pragmatism. It recognizes that there are major differences among the Arab states, from monarchies to military regimes, but Iraq does not consider nature of regimes its business. Each state is free to choose its own regime. Relations are developing very well with Saudi Arabi, Jordan, Tunisia and others. Iraq’s ultimate aim is Arab unity, for in unity is strength and stability, but this is not for tomorrow.

4. Relations with the “socialist” countries are normal. Iraq maintains Embassies in all the European countries except Albania and expects to continue to have good relations with them.

5. Relations with Western Europe are now very good with the resumption of relations with Great Britain and the FRG. Economic relations in particular are flourishing.

6. The only Western country with which Iraq does not have normal relations is the US. This does not interfere with the economic relationship that is developing in our mutual interest. When “certain impedi-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750148–0240. Confidential.

ments" are removed, there will be progress on the diplomatic front as well. However, speaking frankly, al-Wali said that the unrestrained US support for Israel remains the major obstacle. He belittled recent settlement efforts and compared Israel to a thief who had robbed the Arabs four times and now says it will return the proceeds of the fourth robbery while keeping the rest. This was unacceptable. There can be no settlement with Israel until there is a psychological change inside Israel that convinces the Israelis that they are a state within the Arab world and must accommodate themselves to this overriding reality. When and if this occurred, about which the Iraqis are most skeptical, an accommodation could come about. He ridiculed talk of throwing the Israelis into the sea as childish nonsense. He remarked jokingly that the only other problem with the US was payment for the former Embassy compound (now the MFA). He also made a point of saying he gave USINT special treatment by receiving me at any time because of the "sensitive" nature of US-Iraqi relations. Normally he receives only Ambassadors.

7. Another circle in which Iraq operates and hopes to play a prominent role, al-Wali said, is the non-aligned world. Iraq believes the developing countries have much in common and must help each other. Iraq is providing substantial assistance in loans and grants to these countries. It had proposed Baghdad as the site of 1979 Non-Aligned Summit Conference, but at the recent meeting in Havana had found that support for Cuba was such that Iraq had had to withdraw its request.

8. *Comment:* Read in conjunction with Saddam Hussein's recent interview with *Rose al-Yusuf*,<sup>2</sup> two aspects of al-Wali's remarks are particularly striking. Saddam is quoted as saying that Iraq's role at this time was to provide a model of "socialism, democracy and unified action," the clear implication of which is that Iraq now expects to promote its interests through example and persuasion rather than coercion and subversion. On Arab-Israeli conflict, Saddam said Geneva Conference should be last stage of peaceful solution where Arabs should go only after "we have reached peak of armament" and that only when Israel begins to believe its existence is dependent on being accepted by the Arabs, will it (Israel) accept a peaceful solution. This is closest GOI has come to public acceptance of Geneva Conference.<sup>3</sup>

Lowrie

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<sup>2</sup> A State-owned Egyptian daily newspaper.

<sup>3</sup> After Atherton brought this telegram to Kissinger's attention, Sober sent a copy to the Secretary under a May 2 covering memorandum, asking if he wished a message to be sent to Baghdad through Arab leaders that the United States was prepared to have a dialogue with Iraq without a resumption of relations. Kissinger agreed. (National Archives, RG 59, Central Foreign Policy Files, P830114-0717)



**286. Paper Prepared in the Office of Current Intelligence, Central Intelligence Agency<sup>1</sup>**

DCI/NIO 1039–75

Washington, May 1, 1975.

**THE IMPLICATIONS OF THE IRAN–IRAQ AGREEMENT****Overview**

Iran has long sought to persuade Iraq to accede to Tehran's definition of the border between the two countries, especially along the Shatt al-Arab waterway. Anxious to establish his own hegemony in the area, the Shah has also sought to restrict Iraqi influence and covert activities in the region, as well as to eliminate foreign leftist influences at work in Baghdad. The Algiers agreement of early March between Iran and Iraq appears to have achieved the Shah's first goal; whether the Shah's other objectives can be attained seems more doubtful. Iraq has been freed of its entanglement in the Kurdish rebellion and, for the time being, of the prospect of a confrontation with Iran. Baghdad's foreign policy options have been substantially increased.

We speculate below on the implications of the Algiers agreement for the participants, other countries in the region, and the great powers.

**Discussion***The Algiers Accord*

1. The Shah of Iran and Iraqi strongman Saddam Husayn Tikriti signed an agreement on March 6 intended to resolve long-standing border differences which had led to a number of serious clashes during the past year. Both governments gained important advantages from the accord; Iraq's rebellious Kurds<sup>2</sup> were the big losers.

2. The agreement consists of a public accord which involves reciprocal responsibilities on two points:

- demarcation of land and river boundaries;
- the exercise of strict border control and prevention of infiltration of subversives.

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<sup>1</sup> Source: Central Intelligence Agency, NIC Files, Job 79R01142A, Box 5, Folder 5. Secret; [handling restriction not declassified]. A note on the first page reads: "This paper was produced under the auspices of the National Intelligence Officer for the Middle East. It was drafted by CIA (OCI) and coordinated with State/INR and DIA."

<sup>2</sup> Iraqi Kurds number about 2 million; they make up about 18 percent of the population. There are about 3 million Kurds in Turkey, 1.5 million in Iran, and several hundred thousand in Syria. [Footnote in the original.]

The two sides describe the accord as indivisible; violation of a single provision nullifies the whole package.

3. Statements and actions by both sides since March 6 point to the existence of a secret understanding, the exact terms of which are still unknown. The Shah clearly promised to withdraw Iran's military assistance from the Kurds. This could not be spelled out in the public accord because Tehran always denied giving such help. The disposition of Kurdish refugees in Iran probably was also discussed. Both sides obviously agreed to end hostile propaganda. The activities of foreign powers in the Gulf may also have been treated in Algiers; this has been the theme of statements by officials of both governments and by their countries' media since the signing.

4. Baghdad's main concession was its acceptance of Tehran's formula for demarcating the disputed southern river boundary according to the *thalweg* principle (i.e., center of the navigational channel). Iraq had previously insisted that the 1937 treaty setting the border along the Iranian shore of the Shatt al-Arab gave Iraq total control of navigation on the river—and hence over access to Iran's Abadan refinery and the port of Khorramshahr. Baghdad was unable to enforce this claim, however.

5. Strict observance of the border control provision would benefit both sides. It would end the sending of Iraqi-trained subversives into Iran to stir up anti-government sentiment among minority groups, particularly the Arab population of Khuzestan. Iranian dissidents presumably would no longer be allowed to promote their activities from Iraqi territory. The major consequence of the provision, of course, is that it has brought an end to Iranian military assistance to the Kurds. This was Iraq's objective and Iran's principal concession.

6. The withdrawal of Iran's aid reduced the Kurds' options essentially to maintaining low-level guerrilla activity, surrendering to Baghdad, or going into exile. The accord thus holds out the prospect to Baghdad that—freed from a debilitating internal conflict—it can devote more resources to development.

7. Some evidence suggests that the Shah thought the accord also included a pledge from Saddam Husayn at least temporarily to freeze the military situation in Iraq and possibly to open negotiations with the Kurds. Immediately after the accord was signed, however, Baghdad ordered an all-out offensive. It continued for about a week until the Shah was able to arrange a cease-fire two days before a previously scheduled meeting of foreign ministers in Tehran on March 15 to work out the implementation of the agreement. The cease-fire, along with Baghdad's offer of amnesty to rebellious Kurds, expired on April 1 and Iraq com-

pleted its military occupation of all Iraqi Kurdistan.<sup>3</sup> It met little opposition. Baghdad, under prodding from Tehran, did extend until the end of April—and then for an additional 20 days—the period during which Kurdish refugees in Iran could return to Iraq.

8. Border demarcation and control has proceeded smoothly under the guidance of commissions created by the foreign ministers. The Shatt al-Arab has been surveyed, and jointly-manned control posts have been established in both countries to monitor the implementation of the Algiers agreement. A second meeting of foreign ministers was held in mid-April and a third is scheduled for mid-May. The refugee problem has been discussed, along with the possibility of wider cooperation. Saddam Husayn went to Tehran in late April; the Shah is to return the visit later this spring.

#### *Motivations*

9. Iraq has long been the focus of Iran's most intense hostility and suspicion because of ethnic, religious, and political differences. The Shah has regarded Baghdad as a stalking-horse for Soviet ambitions in the Gulf and as a source of subversion throughout the region. For some time the Shah has been using Iraqi Kurds to divert Baghdad's attention and resources away from interference in Gulf politics, to encourage political instability, and indirectly to promote Iran's interest in border rectification. Never did the Shah consider aid to the Kurds an open-ended commitment, however. He did not support their goal of autonomy out of fear it would encourage similar sentiments among Iranian Kurds.

10. The Kurdish equation took on new dimensions last summer when Baghdad decided to use its Soviet-equipped army to seek a "final solution" to its Kurdish problem. Baghdad launched an offensive against rebel-held territory that eventually engaged 80 percent of Iraq's army.

11. To halt the Iraqi offensive and to preserve his Kurdish card, in August the Shah introduced Iranian artillery and air defense units directly into the fighting inside Iraq. The intervention, plus the onset of bad weather, eventually stopped the Iraqi advance. The Kurds, however, were unable to regain any lost territory during the winter, as they had usually managed to do in past years.

12. The Kurdish failure left the Iraqi army in a good position to renew its offensive this spring. The Shah was faced with the prospect of having to increase the already sizable Iranian military commitment if

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<sup>3</sup> Telegrams 384 and 410 from Baghdad, April 7 and 12, described accounts of the Iraqi Army's pacification of Kurdistan, which reportedly met no resistance and entailed no starvation or devastation. (Both in National Archives, RG 59, Central Foreign Policy Files, D750119-0891 and D750128-0479)

the Kurds were to keep up the fight. The Shah, concerned about the growing possibility of an all-out military confrontation with Iraq and the wider implications of such a policy, decided against deeper involvement.

13. This decision made, the Shah could only conclude that his bargaining position would steadily erode once the anticipated Iraqi spring offensive began. He therefore made the best deal he could at Algiers. The Iraqi concession on the Shatt al-Arab—no small matter in itself—was a necessary minimum in the Shah's eyes as a plausible explanation for his sudden turnaround in reaching an accord with a bitter adversary.

14. The Shah realized that deeper involvement in the Kurdish fight would jeopardize a larger regional goal—closer cooperation with moderate Arab states. Expanded Iranian military intervention would have caused him problems throughout the Arab world at a time when he was trying to improve relations with Egyptian President Sadat and other moderate leaders. Arab governments were feeling Iraqi pressure to intervene to secure an end to Iranian intervention. Cairo, in particular, was arguing that ending the confrontation would help draw Iraq into the Arab political mainstream and lessen its dependence on the Soviet Union. The Shah was concerned over Moscow's growing influence in Baghdad, and Cairo's argument may have influenced him.

15. Pursuit of the military campaign against the Kurds also entailed risks for Saddam Husayn and might have brought his downfall. As in previous years, policy toward the Kurds was causing splits within the ruling group in Baghdad. The Iraqi strongman had made a personal commitment to a military solution and his prestige was on the line. Yet there were serious problems developing within the military over heavy casualties and over Baghdad's inability to respond effectively to Iranian intervention. Also, the military campaign monopolized national attention and resources, and the need for military supplies circumscribed Baghdad's freedom in dealing with Moscow.

16. Yet Saddam Husayn felt he could not afford to end the campaign and admit failure. Since the immediate need was to neutralize Iran, he decided to pay the required price and accept Iran's view on the Shatt al-Arab.

#### *Durability of the Accord*

17. The provisions of the agreement are being implemented. Both sides appear to have complied with their part of the bargain and have a mutual interest, for the moment, in keeping the accord intact.

18. Problems may yet develop, however. The Shah, in effect, traded performance for promises in Algiers, and there are few assur-

ances that Iraq will want to honor all those promises once it has mastered its Kurdish problem.

19. Iran's leverage over Iraq was largely lost when it pulled its troops out of Iraq, shut off aid to the Kurds, and closed its border. If Baghdad chose to renege on its part of the agreement it would be difficult for Tehran to revive an effective Kurdish resistance movement inside Iraq.

20. We have considerable doubt that there will be a lasting reconciliation. Iran and Iraq are natural competitors in the Gulf.

—They are the most populous states.

—Each is rich in natural resources and has a large well-equipped army.

—Both the Shah and Saddam Husayn have widely differing views of how the region should evolve politically and both aspire to regional leadership and dominance.

21. Friction seems certain to revive if Iraq persists in meddling in Gulf states, and particularly if it continues to press neighboring Kuwait to cede territory flanking the Iraqi port of Umm Qasr. In any event, each will continue to compete for allies in the Gulf to strengthen its political and military position.

#### *Implications for Iran*

##### *Domestic*

22. The Algiers accord was one of two abrupt major policy decisions in early March that illustrated the Shah's increasingly arbitrary style of rule—the other being his decree of a one-party state for Iran.<sup>4</sup> He apparently consulted no major figures before ditching the Kurds. Most advisers have become “yes-men” and there is virtually no public debate over policy issues. Thus there are few safeguards to miscalculation by him, nor any apparent mechanism for correcting error, beyond the Shah's own perceptions.

23. The Shah's Kurdish decision has domestic security implications. Many of the estimated 150,000 Kurdish refugees in Iran are embittered by what they regard as a betrayal, and some of Iran's own 1.5 million Kurds have expressed dismay at the abruptness of Iran's withdrawal of support from their Iraqi kinsmen.

24. We think Iranian security forces will be able to handle potential problems from both sources. Iran took the precaution of disarming Kurdish fighting men crossing the border prior to its closing and of isolating them from the civilian refugees. Tehran does not want the ref-

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<sup>4</sup> See Document 111.

ugees to remain in camps and will attempt to integrate them into Iranian society, possibly in non-Kurdish areas. There is the possibility that some might resist efforts to settle them in areas markedly different from their mountainous homeland.

25. Baghdad, at Tehran's request, sent officials to the refugee camps to reassure the Kurds that they will be pardoned if they return to Iraq. We have received widely conflicting estimates on the number who have chosen to do so. Baghdad realizes, as does Tehran, that the Kurds pose a potential security problem for Iran, and probably has little interest in relieving the Shah of this burden.

*Foreign*

26. The agreement strengthens the principal rival capable of seriously challenging Iran in the Gulf, as well as a regime whose sponsorship of subversion and Arab radicalism and receptivity to Soviet influence has long been considered by the Shah as a threat to Iranian security. Iran may benefit from the gratitude of some Arab leaders who had argued the accord would lead to a moderation of Baghdad's present political stance, but others—Kuwaitis, Syrians, and Omanis—worry that Baghdad may now devote more attention to its other feuds and border disputes. Turkish leaders welcome the accord because it puts an end to Iran's aid to Kurdish separatists; Ankara feared that there might be a spillover of the fighting or that the 3 million Turkish Kurds might become involved in an autonomy movement.

27. The Shah will try to use the accord to secure—with the help of other Arab leaders—a moderation of Baghdad's policies. In ending his aid to the Kurds and normalizing relations with Iraq, he strengthens the hand of Arab leaders who have been encouraging Saddam Husayn to reduce his ties to Moscow. The accord also helps undercut the charge of Arab radicals that Iran is an implacable foe of the Arabs.

28. To the extent that the Shah pushes for a reduction of Soviet influence in Iraq, he will come under pressure to demonstrate to Baghdad and other Arabs that Iran is not a tool of US policy in the region. He has previously joined other area states in insisting that Persian Gulf security is the responsibility of littoral states. He now may be willing to enlarge on this line, especially since Prince Fahd—whom the Shah feels is more likely to cooperate on regional security than was King Faysal—has attained a more influential role in Saudi Arabia.

29. Saddam Husayn has referred to the possibility of a collective security arrangement in the Gulf in several press interviews given since the accord was signed. He said in one that the Algiers accord foresaw some Iran–Iraq security cooperation. This goes well beyond any Iranian statements to date. A communiqué issued following a visit to Baghdad by the Iranian Prime Minister in late March affirmed only

that the Gulf should be “spared all foreign interference.” Iran’s government-controlled press has repeated this theme several times since the accord was signed. Withdrawal of Soviet and US naval forces would leave Iran with the only significant naval force in the Gulf.

30. The Shah might be willing to state public opposition to the US naval role in the Gulf more forcefully in exchange for greater regional cooperation on security matters or for concrete examples of a lessened Soviet influence in Iraq. It is doubtful, however, that he would at this time work to secure the complete removal of the US presence in Bahrain.

31. The Shah naturally retains a deep suspicion that Iraq’s foreign policy will continue to aim at creation of an anti-Iranian front in the Persian Gulf. If Baghdad continues to support subversion and radical Arab policies, the Shah probably will consider himself in a good position to insist that Egypt and Algeria—governments which encouraged his reconciliation with Baghdad—join Iran in addressing Iraqi “adventurism.” He fears that moderate Arabs will seek their own accommodation with Iraq and even cooperate with Baghdad to limit Iranian influence on the Arabian peninsula.

32. The Shah’s decision to end his support of the Kurds raised doubts about Tehran in the minds of some conservative Arab leaders with whom he is on good terms. Oman, for example, was caused to wonder about the steadfastness of Iranian support in the Dhofar fighting. Muscat probably was responding to rumors that an Iranian withdrawal from Dhofar was included in a secret protocol to the Algiers agreement. Oman has privately reemphasized to Tehran its need for Iranian aid. The Shah has shown no disposition to withdraw from Oman.

33. Jordan’s King Husayn is deeply concerned over the agreement. He had hoped that Iraq could be persuaded to moderate its position toward the Kurds and that a settlement might be reached under which Barzani might retain his position as leader of the Kurdish community. Husayn now fears Iraqi subversive efforts, and he now wonders whether the rapprochement may have given the Iraqis license to do whatever they want in the Gulf.

34. The Algiers accord—reached during a summit meeting of OPEC—could complement other efforts to maintain unity within OPEC ranks because it eliminates a potentially divisive issue. The Shah probably believes the agreement enhanced his role in the organization especially with Arab oil producing states, who, in the event of worsened Iranian-Iraqi relations, might have found it politically expedient to oppose Tehran’s policies in the OPEC venue.

#### *Implications for Baghdad*

35. The end of the Kurdish rebellion strengthens Saddam Husayn by removing a vulnerability that his critics could exploit. The present

Baathist government, which took power in 1968, is an uneasy coalition of military and civilian factions. Saddam Husayn, who made the decision to use military means to deal with the Kurdish problem, leads the Baath party's civilian wing. The military's representative in the leadership, President Bakr, who is seriously ill and inactive, acquiesced. As the fighting dragged on, the decision drew heavier criticism, and the conflict became known as "Saddam Husayn's war."

36. Giving in to the Shah's demands on the Shatt al-Arab cost Baghdad something in national pride; but, by getting a free hand to deal with the Kurds and lessening the danger of war with Tehran the Iraqis gained more than they gave up. There has been no known public reaction in Iraq against Saddam Husayn's concession to Iran, nor have critics within the leadership tried to exploit the matter. The possibility remains, however, that if he stumbles on some other issue, his concession on the waterway could come back to bedevil him.

37. Although troublesome Kurdish-related questions have to be faced, Saddam can now redirect the regime's energies. Domestically, Saddam will concentrate on repairing damage to the economy stemming from the hostilities, which, he admits, cost the lives of 10,000 Iraqi troops. Demobilization of reserves will free manpower to return to civilian tasks and help ease shortages of food and consumer goods. Baghdad, moreover, can now allocate more of its resources to accelerating industrial development, and to efforts to subvert Gulf states and Syria.

#### *The Kurds*

38. As for the dealing with the Kurds, Iraq is relatively free to impose its will. Baghdad will grant no concessions to Kurdish aspirations for self-rule beyond the token legislative and executive bodies established last summer. Baghdad has made some efforts to Arabize Kurdistan by resettlement and may see this as part of the long-term solution to the problem.

39. Armed resistance by Kurds on the scale of 1974 is now out of the question. Preliminary indications suggest that about one-third of the 30,000-man Kurdish regular force intend to continue the insurgency using guerrilla tactics. The Kurds are believed to have cached large quantities of ammunition in the mountains before the Iraqi offensive in March. They may have also laid in additional stores of arms and supplies from Iran before the border was closed on April 1. The Kurds may try to establish lines of supply to the Syrian border. Despite Damascus' well-founded resentment of the subversive activities of the rival Baathist regime in Baghdad, Syria has more direct means of putting pressure on Baghdad than arming Iraqi Kurds.



40. Some die-hard Kurds hope that Iran may resume military assistance if implementation of the Algiers accord does not proceed smoothly. Such an eventuality appears unlikely, despite reports that Iran may be training some Kurds against the possibility of a breakdown. Although mutual suspicions run deep in Iranian-Iraqi relations, both sides have a major stake in keeping the new relationship intact, at least for the near term.

41. The decline in the Kurds' fortunes is matched by the disarray in their leadership. Mulla Mustafa Barzani, now in his early 70s, the personification of the autonomy movement, has effectively stepped down. The Shah's accord irreparably damaged Barzani's prestige and authority. No remaining rebel commander has the stature to replace him. The Kurdish central command may simply disappear and a number of independent rebel groups may try to carry on resistance against Baghdad.

42. It seems clear that without substantial support the rebels' resistance to Baghdad will be restricted to the harassment of government units and acts directed against economic targets. In their current frame of mind, the Kurds may even strike at Iraqi oil installations—heretofore proscribed from the rebels' target list at the insistence of the Iranians, who apparently feared that Iraqi terrorists might retaliate against the petroleum complex at Abadan.

#### *Iraqi-US Relations*

43. The end of the Kurdish rebellion removes one of the impediments to improved relations between Iraq and the US. The Iraqis probably believe that the US was collaborating with Iran—and Israel—in providing military assistance to the Kurds.

44. It is, however, the US role as Israel's principal backer that Baghdad sees as the main deterrent to better relations with Washington, and the Algiers agreement has not affected this. For the moment, Iraq probably sees no advantages in ending its status as the only Arab state, among those that broke with the US in 1967 over the Arab-Israeli war, that has not reestablished ties with Washington.

45. The absence of formal diplomatic ties has not obstructed rapid growth in commercial relations between Iraq and the US. In February, for example, Baghdad concluded a \$225 million contract for Boeing aircraft, making Iraq one of the fastest growing markets for US products in the Middle East. Iraq still severely limits official contact with US diplomats attached to the interests section in the Belgian embassy. In sum, we doubt that Iraq would be receptive to any overtures to improve political relations unless there is a discernible change in overall US Middle Eastern policy.

*The Soviet View*

46. To our knowledge, the Soviet Union had no part in getting Iran and Iraq together. Moscow, in fact, probably has mixed feelings about the results of the Algiers meeting, although the USSR repeatedly has advocated a settlement of differences between Iran and Iraq and a granting of Kurdish autonomy. Now Moscow presumably is concerned about what the agreement may portend for Baghdad's relations with the Soviet Union.

47. Moscow is aware that Iraq may decide to take advantage of decreased regional tensions to accelerate its purchase of Western goods, technology, and developmental assistance, while reducing its dependence upon and cooperation with the Soviet Union and Eastern Europe. Even before the Algiers agreement, the Soviets had given indication of concern over what they saw as an Iraqi tendency to lean toward the West. Moscow knows that the Shah wants to wean the Iraqis away from the Soviets and to restrict the growth of Soviet influence in the Gulf.

48. On the other hand, the Algiers agreement has some positive features from Moscow's point of view. The end of the Kurdish war eliminates a threat to a regime in which Moscow has a substantial stake and with which the Soviets enjoy basically good, if sometimes troubled, relations. Moscow, moreover, no longer faces the unwelcome prospect of being importuned to back Iraq in full-scale fighting against Iran—with whom the Soviets have developed profitable commercial ties.

49. The Soviets are aware that over the short term Iraq cannot replace Soviet military hardware, with which Baghdad's forces are almost exclusively equipped. Iraq will remain dependent on the USSR for consumable supplies, spare parts, technical assistance, and training, although the need for resupply will now be less urgent. About 500 Soviet advisers are serving in training roles with the army and an additional 400–500 are with the Iraqi air force. The enhanced capabilities displayed by the Iraqi army were probably largely the result of Soviet training and advice. Recent purchases of additional MIG-23 aircraft and Scud missiles, complementing earlier deliveries of advanced weaponry (FROGs, TU-22s and SA-6s), are further indications that Baghdad intends to continue looking to Moscow for sophisticated weaponry.

50. The Soviets, however, have not been willing to give the Iraqis everything they want. A two-month delay last year before agreeing to Baghdad's requests for additional ammunition undoubtedly increased Iraqi concern about its dependence on one nation for its military needs. This has contributed to a Baghdad decision to diversify its sources of equipment. Baghdad has since approached the West for military equipment. France, which already had sold Iraq helicopters, armored per-

sonnel carriers, and light tanks, reportedly now has offered to sell Mirage aircraft.

51. Moscow also knows that there are powerful influences in Iraq at work to impede any significant turn away from Moscow. The Soviets recognize that historical animosities, distrust, and conflicting interests will be barriers to a significant or lasting accommodation between Baghdad and Tehran.

52. At the same time, the Soviet Union will continue to maintain cordial relations with Iran as a key element of its policy in the Persian Gulf. Although the accord could even lead to an improvement in relations; the Soviets have reasons to believe that the agreement presages a different power balance in the Persian Gulf that could further limit Soviet influence in the area.

#### *Arab-Israeli Ramifications*

53. Iran perceives the accord with Iraq as contributing to its effort to draw closer to the Arab states. The Shah, who aspires to regional leadership, does not wish to be classified as hostile to Arabs and a supporter of Israel. Moreover, it may be his perception that the power balance has shifted in favor of the Arabs. He might also anticipate an eventual modification of US policy toward Israel. The Shah does not want to be caught short.

54. Iran's diplomatic, economic, and intelligence ties to Israel are based on pragmatic, not emotional or ideological considerations. One such consideration is that Israel has served the same purpose toward the Arab world that the Kurds served toward Iraq: it has kept the Arabs off balance and occupied. As long as Israel remains militarily strong and able to absorb Arab energies, the Shah will regard his ties to Tel Aviv as in his interest, and he will maintain a quiet relationship.

55. To Tel Aviv, the touchstone of relations with Iran is the continued flow of Iranian oil—which meets about half of Israel's domestic requirements. Tehran's reconciliation with Baghdad will thus not by itself significantly alter Iranian-Israeli relations, although it has increased Israeli doubts about the Shah's willingness to supply petroleum should another Arab-Israeli war break out.

56. Since the mid-1960s, Iran aided and abetted Israeli help to the Kurdish rebels. Israel provided financial and material assistance and sent military and intelligence advisers to train Kurdish tribesmen at sites in Iraqi Kurdistan and Iran. A few Kurds may have been trained in Israel. This assistance was possible because of Iranian help and without it there is little chance that Tel Aviv will continue to aid the Kurds.

57. The collapse of the Kurdish rebellion and lessening of Iranian-Iraqi tensions will free much of Baghdad's military forces for use against Israel in the event of another war. In October 1973 Tehran's

willingness—during a period of tension with Baghdad—to resume diplomatic relations with Iraq enabled the Iraqis to send two armored divisions to the Syrian front. We estimate that by this summer the Iraqis could again contribute as many as two armored divisions plus some aircraft to any renewal of Arab-Israeli fighting.

58. Iraq's help might be more effective than in 1973. At that time the Iraqi effort on the Syrian front was hampered by a shortage of tank transporters, an inadequate logistics system, and difficulties in coordinating operations with the Syrians. Soon after the October War, Baghdad took steps to increase its supply of armor transportation and improve its command-and-control procedures. The logistic system appears much more effective, largely as a result of experience gained in fighting the Kurds.

59. Despite the current cooperation between the two sides, however, Baghdad must still consider Iran the primary military threat and will deploy its troops accordingly. The Iraqi units will return to their normal areas of cantonment near the Iranian border. The Iraqi army suffered heavy casualties and moderate equipment losses during the year of fighting the Kurds but will experience little difficulty in refitting and bringing units up to strength for service against Israel.

60. The size of the force that Iraq contributes for service on the Israel front will be determined by Baghdad's relations with the Arab belligerents when, and if, hostilities break out. Baghdad's strident calls for "liberation" of Israeli-occupied territory should not be read as an open-ended commitment of troops to another round of fighting. If the Iraqis do not believe the front-line Arab states intend an all-out prosecution of the war, Baghdad will not be disposed to make a maximum military contribution; and as in 1973, the reliability of its commitment would be subject to the vagaries of Iraq's political relations with other Arab belligerents.

#### *Iraq's Regional Impact*

61. The Algiers accord fits into the pattern emerging over the past year of Iraqi efforts to project an image of moderation in its regional policy and noninterference in the affairs of its neighbors. We are unable yet to tell whether there is any substance behind the image. Our initial impression, however, is that Baghdad's courtship of some Arabs and now Iran reflects an adaptation to internal and external pressures—the need, for example to end the Kurdish rebellion—and does not signal a basic shift in its foreign policy outlook in the near term.

62. Past performance does not encourage unquestioning acceptance of Saddam Husayn's new pose. Although his personal charm and dynamism have favorably impressed even many conservative Arab

leaders, and apparently the Shah, his record is that of a dedicated Baathist revolutionary and meddler in the affairs of other countries.

63. We believe that the Iraqi Baathist leadership remains revolutionary in outlook and committed to trying to overturn conservative and moderate regimes in the Peninsula and the Gulf. Iraq may become more subtle in its tactics, however. Our best estimate is that Baghdad has adopted a two-tiered policy. It actively courts its neighbors on the diplomatic level, while it continues to interfere in their affairs. For a time, however, in keeping with the conciliatory spirit of Algiers, Baghdad may refrain from blatant involvement, such as its support last year of an effort to overthrow the North Yemen government and to replace it with a Baathist regime.

*Subversion and Diplomacy*

64. Freed of its battle against the Kurds, the Iraqis may well decide to focus their energies on covert operations aimed at extending their influence within the states of the Peninsula and the Gulf. Baghdad has never been better prepared financially for such undertakings. Iraq's oil income—an estimated \$6.5 billion in 1974—is growing rapidly; by the end of the decade Iraq could surpass Iran in oil production.

65. In line with its new moderate posture, Baghdad will probably concentrate at first on building its clandestine assets through the quietly expanding Baathist cells in the small Gulf countries and increasing support of local dissidents. Iraq, moreover, can spend liberally to influence local officials and politicians. Iraqi embassies will probably acquire additional intelligence and security-related personnel.

66. At the same time, we anticipate that Saddam Husayn, concluding that the Algiers accord has neutralized earlier Iranian opposition, will embark on a new effort to create some kind of regional security pact or joint military unit among the Arab states of the Persian Gulf. We believe, however, that such a proposal will continue to encounter Iranian and Saudi Arabian resistance, as well as foot-dragging by the smaller states.

67. Baghdad's intentions with respect to its neighbors should be measurable by observable criteria. Critical tests will be how Iraq deals with its problems with Kuwait and Syria and its role in support of Omani rebels and other dissidents.

—Iraqi forces continue to occupy a strip of Kuwaiti territory seized in March 1973. The Kuwaitis fear that Baghdad—now free of the Kurdish situation—will increase pressure on them to cede two islands flanking the approaches to the port of Umm Qasr. The Kuwaitis expect both Iraqi diplomatic initiatives and military muscle-flexing along the border. Various Arab leaders including Sadat and Boumediene have

been mentioned as being interested in mediating the dispute, and Baghdad's response will shed light on its general posture.

—Iraq has shown no inclination to refrain from subversive acts against the rival Baathist regime in Syria. It was just such acts which provoked Syria's latest squeeze of the Euphrates water supply and its earlier restrictions on Iraqi shipments through Latakia.

—To demonstrate its adherence to the principle of noninterference, Baghdad could curtail its support of the rebels in Oman's Dhofar province. We believe, however, the Iraqis will do their part to keep the Omani insurgency alive, coordinating their support to the rebels with that of South Yemen while maintaining a low profile themselves. The Iraqis believe they can plausibly deny that they are providing the arms, money, and training. Baghdad may urge a shift in tactics to political subversion and terrorism in northern Oman, arguing that the rebels can revert to guerrilla warfare whenever the Iranians go home.

—If Algiers is really a bench-mark in Iraq-Iranian relations, Baghdad will end its support of Iranian separatists. For some time, Baghdad has sponsored a Khuzestan Liberation Front to promote separatist sentiments among Iranian Arabs and the Baluchi Liberation Front for the Baluchi tribes of southeastern Iran. Iraq has also meddled in Baluchi affairs in Pakistan.

#### *Implications for Syria*

68. How Baghdad deals with Syria will also be watched closely. Relations between the two are at one of their periodic lows. In addition to historic animosities between the two countries, Damascus and Baghdad have rival claims to leadership of the Baathist Movement. The news of the Iran–Iraq accord was not well received in Damascus: the Syrians would prefer to have Baghdad preoccupied with the Kurds. The Syrians expect the Iraqis to step up their propaganda attacks against Syrian participation in the Middle East peace negotiations and to feel freer to overthrow the Syrian regime.

69. The Syrians appear to have grounds for concern. In mid-March, a senior official of the Baath Party of Iraq privately commented that the Algiers agreement would free Baghdad to pursue a number of policy objectives among which is the creation of a government in Damascus more ideologically in tune with Baghdad. The official predicted an upswing in Iraqi sabotage and espionage operations against the Syrian Government.

70. In early April, an early issue flared up when the Iraqis charged that Damascus was violating an agreement by diverting waters from the Euphrates River. The Syrians publicly denied the charge but privately acknowledged they took the step to warn Baghdad to stop meddling in Syrian domestic affairs. Only a few weeks earlier Syrian au-

thorities had rounded up 250–300 local Baath Party members on charges of conspiring with Iraq to oust President Asad.

#### *Saudi Arabia*

71. The agreement gives the new leadership in Riyadh more latitude to seek better and more complex relations with Iran. During the tension over the past year between Tehran and Baghdad, Iraq would have found it easy to criticize any such moves by the Saudis as inimical to Arab solidarity. Despite signs of a warming of Saudi-Iraqi relations—Saddam Husayn and Prince Fahd reportedly soon will exchange visits and the settlement of border problems appears to be near—the Saudis fear that Iraq, free from its Kurdish entanglement, will now be able to turn its attention to Persian Gulf affairs.

#### *Egypt's Stake*

72. Egypt's role in securing the Iran–Iraq agreement was undertaken to further its own efforts to maintain improving relations with Tehran and Baghdad. Sadat counts heavily on economic assistance from both countries, particularly Iran. He further regards Iran as an important partner and Iraq as a principal target for his efforts to exert a moderating influence throughout the Middle East.

73. The Iran–Iraq dispute was a major hindrance to both efforts. Sadat undoubtedly felt that his close ties to Tehran endangered Iraq's economic assistance and hampered his efforts to moderate Iraq's opposition to Arab-Israeli peace negotiations. In any case, as long as Tehran was skirmishing with an Arab country, Egypt was vulnerable to criticism from radicals for its good relations with Iran. Also, Sadat is fully aware that settlement of Iraq's problems with Iran and an end to the Kurdish war might free Iraqi troops to participate in another Middle East war; presumably he also hopes that improved ties with Baghdad will persuade the Iraqis to participate in an oil embargo if war breaks out. (Despite its rhetoric, Baghdad did not go along with the OAPEC embargo in 1973.)

74. Whatever Sadat hopes, Baghdad is not likely to repay Cairo for its mediation effort by softening Iraq's stand against Arab negotiations with Israel. Baghdad sees merit in its rigid posture and no real disadvantages, at least while negotiations remain stalled. The Iraqis probably calculate that they can climb on the negotiations bandwagon if they sense that progress is being made toward a settlement.

75. For the moment, the Iraqis, allied with the fedayeen groups that reject the Palestine Liberation Organization's willingness to join in negotiations, prefer the adversary role. This posture, they reason, places them in the vanguard of the Arab world—purists who brook no compromise with the enemy. Should Egypt or Syria renounce the peaceful approach to a settlement, the Iraqis would be quick to point out to other

Arabs that they were right all along. Baghdad would then exploit and harness the anticipated radicalization of Arab opinion toward Israel and the West.

*Algerian Hopes*

76. Though far from the front lines, President Boumediene undoubtedly expects to receive some financial aid and political support for his proposals for a new economic order as a fallout from his part in arranging the Algiers agreement. In need of funds to finance its ambitious four-year development plan, Algeria reportedly has requested \$50 million from Iraq and may have also approached Tehran. On international issues, Boumediene probably hopes Iran and Iraq will support his views that oil discussions with consumers be held only in the context of all raw materials—not only oil, that the price of oil should be indexed to world inflation rates, and that all developing states should push for the radical transformation of the world economic system at the seventh special session of the UN General Assembly next September.

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**287. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, May 2, 1975, 0950Z.

476. For Assistant Secretary Atherton. Subject: Intelligence Activity in Iraq.

1. During recent consultations with NEA/ARN Director-designate Day I stressed extreme importance of U.S. covert intelligence agencies not rpt not attempting to [*1 line of text not declassified*]. I assume Department is equally sensitive to great risk involved in discovery of any such activities but I wish to bring my opinions to your personal attention.

2. No country in the Middle East is more paranoid than Iraq about interference in its internal affairs and real and imagined activities of foreign intelligence services, particularly CIA. The reasons for this are found in recent Iraqi history and well known to you. Secondly, Iraq has probably most effective and omnipresent intelligence services of any Arab country and they are anxious to justify their special power by un-

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<sup>1</sup> Source: Ford Library, National Security Adviser, Presidential Country Files for Middle East and South Asia, Box 14, Iraq—State Department Telegrams, To SECSTATE—NODIS. Secret; Nodis.



covering foreign interference, again real or imagined. In addition, they almost certainly have intelligence exchanges with the KGB and other Communist services. Nor do I rule out the possibility of joint operations where Soviet-Iraqi intelligence services objectives coincide.

3. I have been told that Soviet Embassy and ICP officials have warned the GOI about [3½ lines not declassified]. The Soviets would like nothing better than to see this prediction come true and can be counted on to do their best to see that it does, [1½ lines not declassified]. Should an incident take place, it would have disastrous consequences [2 lines not declassified]. Regime would almost certainly take drastic measures against us.

4. I recognize that this may sound as if I too am becoming paranoid, but I am already aware [9½ lines not declassified].

5. I recommend that the Department make clear to all USG intelligence services that Iraq is off limits for this type of activity. [2½ lines not declassified] I do not know of any suspected target in Iraq at this time which could justify taking this risk.

6. Although I have classified this message as Nodis I of course have no objection to it being given to other agencies.

Lowrie

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## 288. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, May 9, 1975, 1020Z.

501. Dept please pass for info all Arab capitals, Bonn, London, Moscow, Paris, Rome, Tehran, Tel Aviv. Subject: Assessment of Iraqi Regime After Rapprochement with Iran and End of Kurdish War.

1. *Summary.* Iraq's victory over the Barzani-led Kurds and the simultaneous rapprochement with Iran are, in foreign and domestic political terms, the equivalent of the landmark March 1973 oil settlement with the Western companies. In the same way that the latter Accord removed the obstacles to rapid economic development in cooperation with the West, the March 1975 events have eliminated the most serious threat to the regime and opened up possibility of regional stability. The

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750165–0362. Confidential.

big winner is Saddam Hussein, who now completely dominates Iraqi policy-making and has brought Iraq an internal stability unprecedented since 1958. Although he has many enemies they will have difficulty denigrating this accomplishment. For the U.S., the removal of major obstacles to resumption of relations and the anticipated decline in relative Soviet influence are big pluses. Progress toward an Arab-Israeli settlement is the factor most likely to determine the pace of a return to normal relations with U.S. Commercially, Iraq could be a billion dollar market for U.S. exports within three years. If the regime continues to disavow the spread of Baathism, relations with the conservative Arab states of the Arabian Peninsula should also rapidly improve. In short, this regime has reentered the international system in serious pursuit of its national goals of stability and rapid modernization. As in the case of Algeria, however, ideological hostility and suspicion of the U.S. will be a characteristic of the regime for years to come. The combat experienced, well equipped Iraqi Army must now be considered a factor in any new Arab-Israeli war. *End summary.*

2. As elsewhere foreign policy is a projection of national strength and cohesion and it is the emergence of Saddam Hussein as the unrivaled leader that has enabled Iraq to make dramatic foreign policy changes. Saddam is now 39 years old, dynamic and active despite a slipped disc and being overweight.<sup>2</sup> Through a combination of shrewd political moves, ruthlessness, and the use of the most effective police state to have ever been constructed in the Arab world, Saddam has succeeded in eliminating most of his rivals. There is still talk about Saddam's rivalry with President al-Bakr, the military vs. civilian wing of the party, and active opposition within the army, but there is little evidence to support this conventional wisdom. Bakr is 61 years old, in failing health, and by most accounts working in harmony with Saddam to whom he is related. The decimation of the military wing of the party which began shortly after the Baath seized power in 1968 is now complete. Young party leaders loyal to Saddam are firmly in control. The army remains a question mark, but Saddam has devoted top priority for many years to assure control of it through a system of loyal Baath officers and informer networks. Army interests must always be considered, but it is my belief that it is tightly under control by the party. The unprecedented military parade to celebrate the victory over the Kurds and other forms of public recognition suggest that the regime is increasingly confident of this control. Regime would, however, be most reluctant to issue orders that might cause opposition within the army, such as military action against Syria.

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<sup>2</sup> The Interests Section sent a biography of Saddam Hussein in telegram 609 from Baghdad, June 7. (Ibid., D750200-0960)

3. The principal instruments that Saddam has used to achieve this dominant position are the Baath Party and the security services. The Party Congress in January 1974 brought competent, young men loyal to him into the party leadership. In the November 1974 Cabinet reshuffle these same men moved into Ministerial positions.<sup>3</sup> This reshuffle considerably increased cohesiveness of regime by (A) eliminating or downgrading all elements except Saddam's men and trusted technocrats; and (B) giving responsibility for executing policy to the same men who hold political power. In the process it made a mockery of the National Front and narrowed the regime's base. The Communists and the Baath pan-Arab leadership are both known to be displeased with their diminishing roles. Saddam is expected to move against them gradually and by buying them off rather than by coercion. The recent appointment of a key figure in the pan-Arab leadership as Ambassador to the GDR may be the precursor of such a strategy. Should either the ICP or pan-Arab leadership attempt to challenge Saddam they will almost certainly be dealt with ruthlessly. In short, this regime has achieved unprecedented stability for post-1958 Iraq. The number of foreign visits Saddam has taken in the past three months (Libya, France, Algeria, Tunisia, USSR, Iran, Bulgaria, Hungary, Rumania and GDR) suggest he shares this assessment.

4. Economic policy—Regime is now in a strong position to concentrate on its economic development and has taken many important steps to streamline the bureaucracy, attract the best Western technology, and devote its oil revenue (estimated at \$6 billion in 1974) to rapid industrialization and agricultural development (the sick sector). It is going to face massive problems of organization, shortages of trained manpower and materials and, most seriously of all, the contradiction inherent in an authoritarian, security conscious regime that restricts initiative and the exercise of responsibility and imposes arbitrary travel and other restrictions on its own and foreign technicians it is trying to attract. Nevertheless, regime is committed to rapid economic development and its massive oil reserves give it a good chance of succeeding, albeit at a slower pace than planned.

5. Foreign affairs—The dominant characteristics of Iraqi foreign policy from 1968 to 1973 were unrelenting ideological warfare against Zionism, imperialism and reaction, the achievement of Arab unity under the aegis of the Baath Party through any means, and the "strategic alliance" with the USSR. Today, the dominant characteristics are "realism and pragmatism", non-alignment and the achievement of Arab unity in its time. Although the unrelenting opposition to Zionism remains, even Iraq's policy toward the Arab-Israeli conflict has been

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<sup>3</sup> See Document 265.

modified. This transformation was dictated by two immediate goals; to end the perennial Kurdish separatist movement and to achieve the stability and Western technology necessary for economic development. As result of the March 1973 IPC settlement the regime felt able to reduce its ties to the USSR and begin rapprochement with West. Today, it has diplomatic relations with all Western countries except the U.S. and flourishing economic relations with all. In 1974 the five largest exporters to Iraq (excluding arms) were in order of importance Japan, FRG, U.S., France and the UK. Almost all major projects during the past two years have gone to non-Communist countries. U.S. firms are playing a major role, the most dramatic of which is Boeing supplying of Iraqi Airways with its entire new fleet of 13 A/C and undertaking a reorganization and training program that will last for at least five years.

6. The Kurdish rebellion and Iran's direct support for it gave particular impetus to ending Iraq's international isolation. Iraqi strategy was to crush rebellion militarily and to exert pressure on Iran through other states, particularly other Arabs. This required winning the confidence of leading Arabs and culminated in Saddam Hussein's attendance at the Rabat Summit<sup>4</sup> and the dramatic rapprochement with Egypt, Saudi Arabia and even King Hussein. All of these states played a role in ending Iranian support for the Kurds although President Boumedienne got public credit. The rapprochement with Iran gives every indication of enduring for the following reasons; (A) both countries have a need for regional stability in order to concentrate on economic development; (B) for the first time Iraqi-Iranian interests have begun to coincide in oil matters, particularly in maintaining prices and OPEC solidarity (it is worth recalling that until two years ago major oil policy was still being made in London); and (C) Accord is popular with Shia communities in both countries. In Iraq it is virtually first thing this regime has done that is popular with Shias.

7. There is now some convincing evidence that the new "realism and pragmatism" were not tactics to end the Kurdish war, but more far-reaching. Iraqis now talk openly of their realization that Arab unity is a distant goal and that meanwhile Arab solidarity is essential regardless of differences among the regimes. This disavowal of Arab unity under Baath leadership has been given concrete expression in recent agreements with Arab states under which Iraq will prohibit political activity by Arab "students" inside Iraq and recruit "students" only through their respective governments. Furthermore, the regime is promoting govt-to-govt relations with all Arab states and clearly moving toward resolution of border and other problems with its neighbors, in-

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<sup>4</sup> The Arab League Summit, held at Rabat, Morocco in October 1974, was attended by the leaders of 20 Arab countries and Palestinian representatives.

cluding cessation of hostile propaganda against the “reactionary” regimes.

8. Renunciation of this major tenet of Baath ideology is taking place quietly. It is being sublimated by a new emphasis on the Non-Aligned Movement in which Iraq clearly hopes to play a leadership role. It tried very hard to have Baghdad be the site of the 1979 Summit but lost out to Havana. It is bound to alienate the Baath pan-Arab leadership but they are mostly non-Iraqis and considered little threat. As noted above, Saddam strategy appears to be to deal gradually and in a non-coercive way with them as with other dissenters provided they do not actively oppose him.

9. Iraq will continue for some time to count on USSR as supplier of major weapons systems, but it has already diversified its sources for other military equipment and training. Soviets will also continue to be an important economic partner and Iraq will wish to maintain the prestige of its great power relationship. But barring some unforeseen development, the Soviets no longer have a position that enables them to influence Iraq policy in any significant way. In fact, there is widespread suspicion that the Soviets are tacitly supporting Syria in the Euphrates water conflict to show their disgruntlement with Iraq. If given some credence, this suspicion will result in further deterioration of Soviet position.

10. Almost all of the above developments are favorable to U.S. interests as perceived from here and should bring closer the day of normalization of relations. The timing should be left to Iraq because for them it is a major political step. Nor should we expect any “honeymoon” when resumption comes. The inbred suspicion and hostility of this regime toward the U.S. will take many years to disappear. Meanwhile, we should continue to develop the booming Iraqi market for U.S. goods and promote the new links that are gradually being established through U.S. firms, journalists, and visits of prominent Americans.

11. It goes without saying that rapid movement toward an Arab-Israeli settlement is essential if we are to exploit fully the new situation. Saddam has told Arab leaders that Iraq will not obstruct a settlement but, since he does not believe it will be reached, Iraq must prepare for war. The Iraqi Army is now estimated at over 150,000 men, it is well equipped and has a year of combat experience against the Kurds, and Iraq’s eastern border is now secure. It is virtually certain that in event of new war a large part of this force will move into Syria and Jordan if requested. Iraq can also be counted on to promote the use of Arab economic power against Israel and its supporters. In many ways therefore Iraq epitomizes the new confidence and strength of the Arab

states which seen from Baghdad, can only increase over at least the next five years.

Lowrie

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**289. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, June 4, 1975.

SUBJECT

Termination of the Kurdish Assistance Program

1. This is to confirm that the Agency has terminated its Kurdish assistance program [*2½ lines not declassified*]. As you will recall, the Kurdish assistance operation was initiated at the request of the Shah of Iran, and all our aid to the Kurds was channeled through the Iranians. The Shah, however, ceased all financial and military aid to the Kurds in Iraq after his agreement with the Iraqis in Algiers on 6 March 1975. As a result the Kurdish resistance movement in Iraq collapsed and the Kurdish leaders fled to Iran. Consequently the Agency had no option but to terminate its own program of assistance to the Kurds.

2. This program has not been handled in the usual 40 Committee channels.

W.E. Colby<sup>2</sup>

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<sup>1</sup> Source: National Security Council, Ford Intelligence Files, Subject Files A–L, IO 11, Box 12, GRF, Iraq/Kurds, 4 June 1975–26 September 1975. Secret; [*handling restriction not declassified*].

<sup>2</sup> Colby signed "Bill" above this typed signature.

**290. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, June 16, 1975, 1113Z.

5639. Beirut pass Baghdad. Subject: Iran/Iraq Relations. Ref: Tehran 5460.<sup>2</sup>

1. I called on MFA Under Secretary Jafar Nadim, who had accompanied Foreign Minister Khalatbary to Baghdad this past week to ask him how he thought the visit went.<sup>3</sup> In opening the conversation I noted Tehran press reports that all outstanding issues between Iran and Iraq had now been settled. He quickly replied that this was not the case. He said that with settlement of water and land border definitions and questions relating to the Kurds behind them, the two countries were now working on another package deal which would address four additional questions: (A) navigation on the Shatt-al-Arab; (B) water rights and usage of rivers that flow between one country and the other; (C) the mandate and operation of a joint border commission and (D) pasturage usage for tribes that move from one side of the border to another during different grazing seasons. It was agreed that both sides would try to have details of this package deal worked out and ready for signature within three months.

2. I asked Nadim about the pilgrimage issue. He said that this was to be dealt with outside of the aforementioned package deal. There was some difficult logistic (and by implication security issues) that had to be worked out and this was to be handled by a separate commission that both countries had agreed in principle to establish. As an example of the kinds of problems this commission would address, Nadim said if the pilgrimage gates were open two million Iranians would immediately apply for passports to visit holy places in Iraq. He said there was no way Iranian passport and police authorities could cope with this volume immediately. Further he noted that the two main holy places in Iraq, Najaf and Kerbala, are small towns that could not handle 10,000 pilgrims at best. He thought that it would be some time before agree-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750209–0013. Confidential. Repeated to Abu Dhabi, Beirut, Doha, Jidda, Kuwait, London, Manama, and Muscat.

<sup>2</sup> In telegram 5460 from Tehran, June 11, the Embassy noted the increasing speculation that Iran, Saudi Arabia, and Iraq were preparing to sign a collective security pact for the Gulf region. (Ibid., D750203–0329)

<sup>3</sup> According to telegram 642 from Baghdad, June 15, an Iraqi-Iranian treaty and three protocols were concluded in Baghdad on June 13 during Khalatbary's visit. The treaty was signed by Foreign Ministers Hammadi, Khalatbary, and Bouteflika. (Ibid., D750208–0575)

ment could be reached on these kinds of questions and that they would certainly not be resolved by this August. (A date we had heard earlier was established for the beginning of pilgrimage travel.)

3. Noting that there had been a good deal of speculation in the press about a Persian Gulf security pact, I asked Nadim whether the matter was discussed last week in Baghdad. He said that he had talked with the Iraqi Deputy Foreign Minister about it and that Khalatbary had discussed the matter with Hammadi in a *tete-à-tete* but he did not know the details of the latter conversation. In general, however, he said that it was agreed both sides would keep each other informed of their soundings with other Persian Gulf states. It was Iran's position that any such agreement had to involve all of the Persian Gulf states and that none should be given the impression that the terms of such an agreement were being dictated by one party or another. In this connection he said that very careful preparations would have to be made before any conference of Persian Gulf states could be held on the subject and that he thought therefore such a meeting would be unlikely to occur in the near future.

4. I asked him how the atmospherics were in Baghdad. He replied with a grin, friendly but "I would be lying if I said they were very friendly." He added that the Iraqis still harbor deep suspicions about Iranian motives and objectives. He did not say so but we believe the same can be said of the Iranians.

Miklos

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**291. Memorandum Prepared in the Office of Current Intelligence,  
Central Intelligence Agency<sup>1</sup>**

OCI No. 0830/75

Washington, July 3, 1975.

SUBJECT

Subversion in the Arab Gulf

Evidence of attempts by outside powers to gain influence and shape events in the Arab Gulf raises some fears about middle- and long-term security of the small, but energy-important states that ring

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<sup>1</sup> Source: Central Intelligence Agency, DI/OCI Files: Job 85T00353R, Box 1, Folder 19. Secret; [handling restriction not declassified].



the eastern periphery of the Arabian peninsula. The tactics of Iraq, the Soviet Union, extremists in the Palestinian community, South Yemen, and Libya may vary, but all have been involved in clandestine operations and subversive action in the Gulf.

Although there are occasional indications of conflict between these external forces—Iraq and South Yemen have disputed whether Baghdad or Aden should have the leading role in exporting revolution to the Gulf—more often there is a cooperation based on a commonality of interest. For example, there is evidence that Soviets and some fed-ayeen organizations have cooperated in clandestine activity in Kuwait, and that South Yemen, the USSR, Iraq, and Libya have jointly supported the Dhofar rebels. To the extent that radical Arabs and the Soviets act in concert in their effort to subvert the moderate rulers in the Gulf, another dimension is added to the job facing local security forces in devising effective countermeasures.

In the following memorandum, we examine the subversive role being played in the region by non-indigenous radical Arabs and the Soviet Union and we speculate on future developments. [3½ lines not declassified]

#### *Iraq*

The Algiers agreement, reached in early March between Iran and Iraq, is part of an intensive Iraqi effort to project an image of moderation in its regional policy. We have serious reservations about whether any substance exists behind the image and whether, as some observers have optimistically concluded, Iraq will end its interference in the affairs of its neighbors.

Past performance does not encourage acceptance of the new pose of Iraqi strongman Saddam Husayn Tikriti. Although his personal charm and dynamism have favorably impressed the Shah of Iran and many Western and Arab leaders, his record is that of a dedicated Baathist revolutionary and meddler in the affairs of other countries.

We believe that the Iraqi leadership remains revolutionary in outlook and committed to the overthrow of those governments in the Peninsula and the Arab Gulf not sharing Baghdad's radical ideology.

Our assessment is that Baghdad has adopted a two-tiered policy. It will actively court its neighbors on the diplomatic level, while continuing to give aid to local clandestine groups and otherwise interfering in domestic affairs. For a time, however, in keeping with the conciliatory spirit of Algiers, Baghdad may refrain from blatant involvement, such as its support in June 1974 of an effort by local Baathists to overthrow the North Yemeni government.

The end of the Kurdish war has freed the Iraqis to focus their energies on covert operations aimed at extending their influence within

the states of the Peninsula and the Gulf. Baghdad has never been better prepared financially for such undertakings. Although Baghdad is currently facing some short-term financial difficulties, Iraq's oil income—an estimated \$6.5 billion in 1974—is growing rapidly.

In line with its new moderate posture, Baghdad will probably concentrate for a while on building clandestine assets through an expansion of Baathist cells in the countries of the Gulf and increasing its aid to local dissident groups. Iraq, moreover, may spend liberally to influence local or expatriate Arab officials. Iraqi embassies will probably acquire additional intelligence and security-related personnel.

The following review of recent Iraqi activity in the Gulf does not inspire confidence in Baghdad's professed adherence to the principle of respect for and non-interference in the domestic affairs of neighboring states.

In *Bahrain*, the Iraqi embassy has for many years clearly been involved in supporting Baathist and other leftist elements.

Iraq's support to leftists is channelled through personnel attached to the Iraqi embassy and through Iraqi nationals employed in Bahrain. The Iraqis try to recruit local officials to provide Baghdad with information on Bahraini government activities, fund some members of the national assembly, finance subversive organizations such as the National Liberation Front–Bahrain and the Popular Front for the Liberation of Oman, and try to buy support in the local press.

Members of the Iraqi embassy have encouraged Bahraini students to organize demonstrations against Iran—before the Algiers agreement—and the US. They frequently draft speeches and statements for delivery by leftist members of the national assembly, and draw up questions for these assembly members to ask of government ministers. Revolutionary literature is brought into Bahrain through the Iraqi diplomatic pouch for distribution to sympathizers in organizations throughout Bahrain. Contacts have been reported between members of the People's Bloc of the National Assembly and Iraqis operating the Iraqi Trade Center in Manama. As of 1974, Iraq was reportedly funding the Bahrain Writers and Literary Association.

The Iraqis are also expending much time and money to develop contacts and gain influence with Bahraini students studying abroad. Early this year, Iraqi officials having special responsibilities for Bahraini student affairs, paid for first class hotel accommodations for students attending a conference in Baghdad of the National Union of Bahraini Students. The Iraqis went to considerable effort in organizing the conference, at which student speakers denounced the al-Khalifa family, the US presence in Bahrain, and called for solidarity among various revolutionary groups active in the Gulf.

In *Kuwait*, Iraqi subversive activity is also conducted by Iraqi diplomats and Iraqi residents in the country. According to a mid-1973 report [*less than 1 line not declassified*], there are a “large number” of secret cells in Kuwait working for the Iraqi Baath party. These Baath party cells, in turn, are supported by Kuwaiti leftist groups. The cells, [*less than 1 line not declassified*], are heavily armed with weapons smuggled in from Iraq and are prepared to take to the streets in support of Iraqi policy should Baghdad decide it necessary.

Before the Kuwait national assembly election in early 1975, the Arab Nationalist Movement–Kuwait was receiving Iraqi help in its campaign, and the Iraqi Communist Party reportedly had offered funds, pamphlets, and organizational assistance to the leftist Kuwaiti “State Security Group.” Iraq reportedly has some influence in the Kuwait labor movement; one leader is said to be an Iraqi Baathist, and a number of Kuwaiti trade unionists have attended the worker education school in Basra.

Over the years Iraq has given significant financial aid, as well as arms, to the rebels in *Oman’s* western province of Dhofar. PFLO members are being trained in sabotage in Iraq. Graduates of the course have also been sent to the other countries of the Gulf. The Iraqi government is also reportedly encouraging the Popular Front for the Liberation of Oman to renew its campaign of subversion and sabotage in northern Oman. According to the report, if PFLO makes a serious attempt to rebuild its organization there—it was rolled up by Omani security forces several years ago—Baghdad will increase its monthly payments to PFLO. Baghdad’s embassy in Aden already gives PFLO a stipend of \$37,000 per month.

Baghdad is reportedly attempting to organize a Baath Party in Oman. According to our information, Omani students attending the military academy in Baghdad have joined the Iraqi Baath Party, and upon their return to Oman will attempt to infiltrate the Sultan’s armed forces.

Iraqi activity has also been identified in the *United Arab Emirates*, especially Abu Dhabi. The Iraqi embassy in Abu Dhabi has attempted to exploit the expatriate Iraqi community by refusing to provide normal services unless individuals agree to undertake “certain missions” on behalf of the embassy. There have been numerous reports of arms smuggling by Iraq via launches.

[*less than 1 line not declassified*] activity by Baghdad in *Qatar*, but Iraqi agents reportedly operate there. According to one report, Baghdad has delivered arms to dissident elements of the ruling al-Thani family.

[Omitted here is material unrelated to Iraq.]

## 292. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, July 12, 1975, 0600Z.

742. Dept please pass Arab capitals and London, Moscow, Paris, Tehran, and Tel Aviv for info. Subject: Saddam Hussein's Domestic Opposition and Its Significance for U.S. Ref: Baghdad 501.<sup>2</sup>

1. *Summary*: USINT's assessment of the Iraqi regime after the rapprochement with Iran and end of the Kurdish war (reftel) emphasized the dominant position of Saddam Hussein, the relative improvement in the Western position vis-à-vis the Soviets, and the lessening of Baath ideological warfare against fellow Arabs. Two months later, those conclusions remain valid, but it now seems clear that Saddam's policies have provoked more criticism and potential opposition than he anticipated. He appears to be dealing with it by taking a temporary step backwards to refurbish Iraq's revolutionary image and assure that his militant followers are not attracted elsewhere. In this situation, continuing U.S. patience and a capability to separate the substance of Iraq's policies from its rhetoric is strongly recommended. *End summary*.

2. MFA DirGen of Political Affairs Ibrahim al-Wali told me in confidence on July 3 that GOI had been soundly criticized by "Communists and others" for "hypocrisy" of expanding economic relations with U.S. and for receiving David Rockefeller, Senator Kennedy and ex-Senator Fulbright.<sup>3</sup> Although al-Wali did not specify "others", implication was they were Baath Party members. In a conversation on July 10 Dr. Abdullah al-Sayyab, advisor to Minister of Oil and Iraqi representative on Governing Board of OPEC, told me much the same thing. In commenting on why it was premature for U.S.-Iraqi bilateral discussions on oil matters at technical level (State 102882),<sup>4</sup> al-Sayyab said suspicion of USG is still widespread among "certain elements" and any such discussions could be misinterpreted as pro-American gesture. Al-Sayyab cited recent example of U.S. oil company executive who had offered to come to Baghdad to present INOC \$5,000 worth of technical publications. Reaction had been to insist he mail them.

3. Commercial relations and reception of prominent Americans is only one aspect of Saddam Hussein's policies that have met opposition.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750242–0451. Confidential.

<sup>2</sup> Document 288.

<sup>3</sup> Rockefeller visited Baghdad January 28–29, Senator Kennedy in May, and former Senator Fulbright in June.

<sup>4</sup> Telegram 102882 to Baghdad, May 2, informed the Interests Section that the United States was willing to hold bilateral U.S.-Iraqi discussions on energy if the Iraqi Government agreed. (National Archives, RG 59, Central Foreign Policy Files, D750155–0948)

Rapprochement with Saudi Arabia, Jordan, Iran and other “reactionaries”, displacement of Soviets in economic field by West, and more realistic approach to Arab-Israeli conflict (best exemplified by Sadat visit and absence of criticism of Egypt) are all probably being used against him. Opposition elements fall into three categories: (A) ICP, supported by USSR, which believes dramatic expansion of Western economic presence and developing Iranian-Iraqi-Saudi cooperation in Gulf are aimed at eliminating Soviets from area; (B) militant and less sophisticated Baathists, who are products of closed system and radical rhetoric. They have found it difficult to digest 180 degree policy shift on Iran, rapprochement with “reactionary” Arabs, and particularly welcoming of Americans whom they are still being told are no. 1 enemy. They are receptive no doubt to accusations that Saddam’s policies are hypocritical and that he is selling out the revolution; and (C) perhaps most dangerous group is higher level party figures who most resent and fear Saddam’s successes and predominance. Identity of such potential enemies is difficult to establish and their existence is evidenced mainly by inference from statements and actions of Saddam. They probably include some members of pan-Arab party leadership, perhaps some followers of leftist ideologue Abdul Khaliq as-Sammaraie (still under house arrest since his implication in June 30, 1973 abortive coup), and personal rivals from Tikrit mafia.

4. Above groups, even acting in concert, are not believed to represent serious threat to regime in short term and if Saddam chose to crush them he could probably do so in short order. Perhaps fearing such a move, which would be traditional Iraqi method of dealing with rivals, large portion of ICP is believed to have gone underground within past six months. Saddam is believed to feel use of force would result in renewal of domestic violence and political instability that could reduce longevity of his regime. Instead, he appears to have opted for policy of persuasion, gentle coercion and payoffs. During past three months Saddam has made major effort to reassure the militants and to undercut allegations of his enemies. Among more significant moves have been:

- (A) Saddam’s March visit to Moscow (Baghdad 324 and 409)
- (B) Saddam’s May visit to four Eastern European countries (Baghdad 478)
- (C) Iraqi-Soviet economic accord of May 28 (Baghdad 606)
- (D) GOI association with Libyan position on ME during Jalloud visit (Baghdad 656)
- (E) Saddam’s speech of June 7 on continuing importance of National Front (Baghdad 665)
- (F) Saddam’s failure to receive Senator Kennedy or ex-Senator Fulbright despite reception of David Rockefeller in January (Baghdad 575)
- (G) Public association with rejectionist front during Habash visit (Baghdad 718)

- (H) Continuing harsh anti-American propaganda
- (I) Escalation of efforts to undermine rival Baath regime in Syria
- (J) Iraq's accord of July 4 associating itself in as yet unspecified way with COMECON (Baghdad 741)<sup>5</sup>
- (K) VP Maarouf's July visit to China and North Korea.

5. All of above actions are remarkably similar to policies adopted during June 1972–March 1973 “nationalization struggle” when strategic alliance with Soviet Union was played as keystone of Iraqi policy. However, as most of reftels point out, recent actions are even more lacking in substance than those of 1972–73. Concurrently with above, Saddam has taken other actions that have received scant publicity but are of substance and long range significance, most notably the conclusion of treaty with Iran (Baghdad 642);<sup>6</sup> July 2 border accord with Saudi Arabia; June 26 economic accords with Jordan; improved relations with Gulf states; and continued expansion of economic relations with West. There is therefore no reason to believe at this time that Saddam is letting domestic opposition and Soviet displeasure divert him from pursuit of independent and realistic policies directed at achieving rapprochement with neighbors, rapid economic development, and creating regional environment in which Iraq's vital interest will be protected and it will be capable of playing influential role.

6. Significance for U.S.: If above analysis is correct and Saddam Hussein is, in fact, in delicate period of trying to deal with opposition without jeopardizing positive accomplishments of past year, early improvement of relations with U.S. will almost certainly be postponed. U.S. has been chief whipping boy for so many years that Saddam himself may have overestimated how far he could go toward the U.S. and West in general before being accused of hypocrisy and selling out. In any case, he now appears to be following Lenin's strategy of “two steps forward one step back”. How far it will go and how long it will last remains to be seen. It goes without saying that progress toward a ME settlement could be a crucial factor as far as Iraqi attitudes toward U.S. are concerned for this remains the most emotionally-charged issue in Iraq and Saddam cannot allow himself to become vulnerable on it.

7. For time being I strongly recommend against visits by prominent Americans or other overt actions that could be perceived here as expression of U.S. pleasure with recent developments. There is, however, no reason why we cannot continue commercial business as usual. More than ever before we should concentrate on the substance of Iraqi actions not their rhetoric.

**Lowrie**

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<sup>5</sup> All the telegrams referenced in paragraphs A–J are *ibid.*, D750112–0351, D750129–0672, D750156–0713, D750200–0454, D750217–0260, D750217–1101, D750192–0827, D750235–1008, D750242–0432.

<sup>6</sup> See footnote 3, Document 290.

**293. Memorandum From Rob Roy Ratliff of the National Security Council Staff to Secretary of State Kissinger<sup>1</sup>**

Washington, July 24, 1975.

SUBJECT

U.S. Medical Treatment for Barzani

CIA reports that the Shah of Iran instructed his intelligence chief to arrange with CIA to accommodate Kurdish leader Mulla Mustafa Barzani's desire to come to the U.S. for necessary vascular surgery (Tab A).<sup>2</sup>

CIA recommends that you approve this proposal. Acknowledging risks, the Agency believes there would be greater risks in trying to discourage the visit—that this would embitter Barzani and increase the likelihood that our aid to the Kurds might be revealed. On the other hand, the Agency sees some positive gains from his visit—it would engender some gratitude, and enable us to make a direct presentation to emphasize the desire for secrecy about our aid and to disclaim any knowledge of the Shah's decision to settle with Iraq.

*[1 paragraph (3½ lines) not declassified]*

*Decision*

The proposed visit by Barzani for medical treatment is

Approved<sup>3</sup>

Disapproved

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<sup>1</sup> Source: National Security Council, Ford Intelligence Files, Subject Files A–L, IO 11, Box 12, GRF, Iraq/Kurds, 4 June 1975–26 September 1975. Secret; Sensitive; Outside System. Sent for action.

<sup>2</sup> Attached but not printed.

<sup>3</sup> Kissinger initialed this option. A handwritten note at the bottom of the page indicates that McFarlane was informed on August 1.

## 294. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, August 29, 1975, 1300Z.

898. Subject: US-Iraqi Issues: (I) Palestine. Ref: Baghdad 896.<sup>2</sup>

1. *Summary:* Perceptions of Palestine are at the heart of US-Iraqi differences. No enduring improvement in our bilateral relations is possible if each side is not able to discern a nugget of merit and something to work with in the other's position on Palestine. Assuming that forthcoming US-Iraqi contacts at UNGA intend a qualitative escalation in US-Iraqi political relations, USINT recommends that US side take initiative and boldly highlight those aspects of US position on Palestine which can be made to appear to have moral weight with Iraqis and which give GOI basis for further dealings with US. In this regard tone, style and emphasis can be as important as substance; and an attitude of respect for and interest in probing Iraq's views on this matter can well lead to greater GOI receptivity to US initiatives on less divisive issues. *End summary.*

2. In GOI view US support for Israel's claims vis-à-vis Palestinians is total and unquestioning. US efforts to lessen tensions between Israel and her nearest Arab neighbors are generally regarded as sophisticated effort to "defang" Palestinians by immersing major Arab nations in labyrinth of negotiations about peripheral issues in order to distract them from championing cause of Palestinians.

3. FonMin Hammad therefore is probably mentally preconditioned to expect to be told of US activities and initiatives in every area of mutual concern except Palestine. He probably, for example, expects to receive congratulations for ending of Kurdish insurrection and for improved relations with Iran and the Gulf states. He would not be surprised to hear review of recent US activities in Sinai negotiations and to learn of latest US position on oil and on consumer-producer dialogue. But he probably envisages himself at the end of such a presentation being compelled to say: We welcome all this but why does the US keep dodging the central issue: how to reconcile equitably and peacefully the conflicting claims of Jews and Arabs to the right to exert political authority in Palestine?

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750303–0010. Confidential; Stadis; Limdis.

<sup>2</sup> Not found.



4. A very good case can therefore be made for the US, in the forthcoming talks,<sup>3</sup> to take an unexpected tack and boldly to address the Palestinian problem at once, attempting to see the issue through Iraqi eyes and acknowledging, as an example, the agonizing human problems faced by the exclusion of proud, talented Palestinians from political power in their homeland. It is hard to imagine any new substantive concessions to be made to the Iraqi viewpoint. But, tone and form of presentation, and particularly emphasis (what is said and what is left unsaid) will at least be as important as substance. Tone should (A) convey genuine human concern for Palestinians plus (B) communicate an acknowledgment that Iraqis are approaching problem from morally defensible or at least arguable (albeit restricted) point of view. Form of presentation should select and highlight the most attractive (from Palestinian and Iraqi point of view) features of our policy on Israel and Palestine over the past 30 years: e.g. refugee assistance, support for UN resolutions. Presentation should also explicitly express positive understanding for Palestinian aspirations and might usefully culminate in statement that US, while not a principal party to the dispute, would support any final political solution which is acceptable to both Israel and Palestinians and encourages at this juncture the consideration of any partial solutions which attempt peacefully to apply the rules of law and equity to the competing claims of all parties.

5. US might add that we have profited from advice of many Arab leaders on how to move in direction of general political settlement and would equally welcome constructive advice from Iraq as well, with acknowledgment that Iraq is in unique position to influence Palestinian leaders.

6. How would Hammadi and the GOI react to such an approach? Very positively. The GOI by now has apparently come to believe its own rhetoric and is sincerely convinced that the US is out to toss the Palestinians upon the dustbin of history. A tactical approach which begins from an effort to identify the merits of the Iraqi position and which skillfully and convincingly underlines our interest to the Iraqi spokesman in finding an overall solution which is fair to the Palestinians cannot fail to have a very strong impact on GOI. Obvious as such a position may be in Washington, it is not the US position as seen by Baghdad. When reported by Hammadi to the RCC, this ostensibly "fresh" approach may give the Baath Party pragmatists precisely the "ideological" underpinning they need in order to overcome the objec-

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<sup>3</sup> According to telegrams 828, 884, and 894 from Baghdad, August 2, 23, and 29, Lowrie told Iraqi officials that Kissinger hoped to meet with Iraqi Foreign Minister Hammadi during the upcoming UN General Assembly session. (National Archives, RG 59, Central Foreign Policy Files, D750268–0578, D750292–1108, and D750299–0485) Their meeting did not occur until December 17; see Document 302.

tions of the pro-Soviet wing to dealing with the US on the political level. This reaction would be especially plausible if Hammadi had been made to believe that the USG would welcome an active role for Iraq in mediating between the US and the Palestinian leaders. Aside from the well-known Arab delight in such mediations (cf Boumedienne with the Shah and Saddam Hussein; Yamani with Syria and Iraq on the Euphrates waters, etc.), Iraq would derive measurable satisfaction at being recognized as able to influence both the US (and, through the US, Israel) and the Palestinians. It is difficult to imagine anything, on the other hand, less likely at this time to improve US-Iraqi relations than a deliberate US effort to exclude Iraq from such a position of influence in regard to a Palestinian settlement.

7. Conclusion: In dealing with Iraq there is no dodging the Palestinian issue. On the other hand the US has obviously by now developed a position on Palestine which has been at least grudgingly or provisionally accepted by other leading Arab protagonists. Controlling, therefore, from the very beginning the line of conversation on this issue, with a maximum effort to go in through the Iraqi door in order to come out our own, is probably the best way for the US to address the matter at this time. If the GOI becomes convinced that there is enough justice to the US position and a workable element of openness to the aspirations of Iraq's Palestinian clients, it is not inconceivable that subsequent progress in improving U.S.-Iraqi political relations will be rapid and continuous.

Killough

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**295. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, August 30, 1975, 1300Z.

900. Subject: US-Iraqi Issues: (II) Arms. Ref: A) Baghdad 898, B) Baghdad 340, para 4, C) Baghdad 472, D) Baghdad 560, E) Baghdad 769.<sup>2</sup>

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750302–0836. Confidential; Stadis; Limdis.

<sup>2</sup> Telegram 898 is Document 294. Telegrams 340, 472, 560, and 769, March 29, May 2, May 24, and July 19, respectively, discuss various aspects of U.S. commerce or commercial prospects in Iraq. (All in National Archives, RG 59, Central Foreign Policy Files, D750112–0400, D750156–0615, D750184–0547, D750251–0123)

1. *Summary.* If Iraqi position on Israel appears mule-headed to us, adamant US refusal to sell military technology and weaponry to Iraq appears mean-spirited to GOI. Iraq interest in US arms is both real and reasonably specific. An offer of at least partial access to US arms technology, coupled with a sympathetic presentation on the principal divisive issue—Palestine—should be sufficient to move US–Iraq political relations out of their current, sterile impasse. *End summary.*

2. Iraq has a strong interest in procuring American military technology and armaments. We know this from repeated reports from the British Military Attaché in Baghdad as well as from a number of private sector Iraqis who have clearly been authorized by GOI MinDef to extend feelers. USINT has reported this interest in reftels B through E and called as early as last May (ref D) for long overdue review of basic policy on military sales to Iraq. In absence of any subsequent Washington guidance, however, USINT has given no rpt no one reason to believe that 1967 arms policy has changed.

3. Iraq is already buying roughly as much Western military technology (ref C) as it is from COMECON countries, an amazing rapid turnaround. This is clearly part of Iraq's emerging posture of non-alignment and of the leadership's resolve to be dependent on no one source of supply. GOI's military goals are internal security, border and mountain region surveillance and a credible defensive deterrent against Syria and Iran.

4. GOI probably takes it for granted that a necessary condition for U.S. military purchases is resumption of diplomatic relations. If therefore, GOI were given reason to believe, e.g. in course of forthcoming talks at UNGA, that improved political relations could lead to access at least to U.S. defensive weaponry and electronic surveillance devices, then GOI would have firm basis for further political dialog with USG.

5. Apart from arms and military technology, there is nothing that Iraq needs so badly from us that it has to bite the bullet of renewed diplomatic relations in order to get. Trade, for example is booming. There is no limitation on Iraqi access to civilian American technology, capital equipment or consumer goods. Iraq's opposition to US positions on oil, energy and raw materials is not strong enough to justify its stubborn refusal to normalize relations. The main stumbling block is not bilateral. It is Palestine. And while a US offer of at least limited access to military technology would not of itself be enough to tip the scales, such an offer when coupled with a skillful presentation on Palestine (ref A), should be sufficiently attractive to GOI to overcome current inertia in our political relationship and allow movement towards more constructive and substantive political dialog.

Killough

## 296. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, September 3, 1975, 0825Z.

919. Subject: US-Iraqi Issues: (III) Oil. Ref: A) Baghdad 896, B) Baghdad 898, C) Baghdad 900.<sup>2</sup>

1. *Summary:* After Palestine and arms, oil ranks third among the leading issues between the US and Iraq. Fortunately, it is more tractable and less inflammatory than other two, and if it is possible for US to respond positively to recently expressed GOI interest in expanding oil exports to US, it is one area in which limited progress may be possible without reference to first two issues. *End summary.*

2. A US diplomat stationed in Baghdad is probably faced by more difficulties in gaining hard information on Iraqi oil practice than anyone in Beirut or with access to data from the US majors. Oil is considered highly “political” by all responsible Iraqi Ministries and it is not a topic in regard to which US diplomatic enquiry is ever welcomed. It is obvious, however (see, for example, Middle East Economic Survey for August 15, 1975), that Iraq continues to regard US as scheming in season and out of season for ways to break OPEC cartel and to reestablish international market economy in oil. Nonetheless, it is impossible to believe that this issue alone is sufficient to prevent resumption of diplomatic relations.

3. A possible opening for US initiatives in this area came to light during recent visit to Baghdad of Allis-Chalmers Chairman David Scott. Recommend Department discreetly sound Scott out on following which he told USINT officers in passing but with emphasis on its great sensitivity. Scott said Amin al-Hassan, head of Iraqi Interests Section in Washington, had told him not too long ago that Iraq forecasts difficulty in marketing up to 15 percent of its annual production capacity of oil—given current depressed state of world economy. Asked Scott if he was willing use his personal acquaintance with numerous heads of U.S. utilities and power-generating firms to help Iraq greatly enlarge its exports to U.S.

4. Given vast imbalance in our favor in U.S.-Iraqi trade, it is probably in our interest, other things being equal, to make a cordial gesture of support for Iraq’s desire to market more oil in US. Hard to see what concrete assistance USG could render beyond making it clear to U.S.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750309–0805. Confidential; Stadis; Limdis.

<sup>2</sup> Telegram 896 was not found. Telegrams 898 and 900 are Documents 294 and 295.

buyers that we had no objection to the purchases. But, as is case with Palestinian issue, tone of our approach to GOI is probably as important as substance of the relationship in this area.

5. In regard to OPEC and its artificially high oil prices, FonMinister Hammadi, in forthcoming talks, would certainly welcome clear statement of current US position. GOI is clearly less uptight on oil issue than on Palestine issue and has seen how recessionary economies among the more advanced nations can impact negatively on Iraq. Most obvious example is in current development budget which is much less ambitious than GOI had hoped would be possible on basis of revenue projections made one year ago.

Killough

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**297. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, September 5, 1975, 0800Z.

920. Subject: US-Iraqi Issues: (IV) Sinai. Ref: A) Baghdad 919, B) Baghdad 916, C) Secto 10289, D) State 208685.<sup>2</sup>

1. *Summary*: U.S. success in mediating interim agreement on Sinai is galling blow to Iraq—even if comes as no surprise. Physical presence of U.S. technicians may, however, prove sufficiently unpopular with some other Arab states to give Iraq propaganda leverage. I request instructions to describe U.S. position in Sinai accord to MFA Director General of Political Affairs in course of call to confirm that proposed US–Iraq contact at UNGA will in fact occur. *End summary*.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750309–0842. Confidential; Stadis; Limdis.

<sup>2</sup> Telegram 919 is Document 296. Telegram 916 from Baghdad, September 4, described the negative reaction of the Iraqi press to the Israeli-Egyptian settlement on the Sinai. (National Archives, RG 59, Central Foreign Policy Files, D750310–0003) Telegram Secto 10289 to Baghdad and other capitals, September 1, instructed the Chiefs of Mission to inform host governments that the Israeli-Egyptian agreement would be initialed that day. (Ibid., D750301–1058) Telegram 208685 to Baghdad and other capitals, September 3, noted that the text of the September 1 agreement would be forthcoming. (Ibid., D750303–0910) The overall agreement included establishment of the U.S. Sinai Support Mission to observe compliance with the agreement's terms. Documentation on U.S. diplomacy in the negotiations on the agreement and the text of the agreement is printed in *Foreign Relations, 1969–1974*, volume XXVI, Arab-Israeli Dispute, 1974–1976.

2. That GOI is against Sinai interim agreement is obvious (ref B) and comes as no surprise. GOI opposes partial solutions to Arab-Israeli dispute as matter of principle. In addition GOI has pounced upon proposed presence in Sinai passes of American technicians to raise spectre of disguised American military spy mission to be steadily enlarged as time passes.

3. Soviet Chargé, Popov, who has served in Israel and who normally supports Israel's right to exist and prosper and who sees merits in the "step-by-step" approach, told me at Qatar National Day reception September third that presence of U.S. technicians will unravel all the otherwise excellent features of the accord. He said USSR will be forced to join Iraq in opposing such a presence which, he said, bitterly, "The Zionist lobby will have no trouble getting past Congress". *Comment:* Certainly both USSR and GOI likely to seize on this as aspect of agreement most likely to support hostile propaganda campaign among other Arab states.

3. What is most humiliating to the GOI Baath Party leadership is Sadat's admission that the Arabs collectively cannot put together enough clout to make progress in the dispute with Israel without calling in "outsiders". Iraq is very proud of the fact that it settled its quarrel with Iran and put down the Kurdish rebellion without having to bring in non-Arab third parties (Algeria's Boumedienne having been the key mediator). If similar situations arise at future stages of Arab-Israeli disengagements, Iraq can be expected to be opposed to a US, a Soviet, a Chinese or any third party (except the UN) presence in the buffer zones.

4. Is difficult to imagine anything constructive that could result from dwelling on Sinai accord in proposed UNGA contact—unless this could somehow be shown to be in long-range interest of Iraq's Palestinian clients. US success in Sinai means serious setback to Iraqi position of implacable opposition to partial solutions and if the subject has to be addressed, it would be charitable to do so soberly and without rubbing salt in wounds.

5. VOA newscasts morning of September fifth described Anwar Sadat's sharp criticism of USSR, Syria, and Iraq for their opposition to Sinai pact. Offhand, it appears that USSR may be giving up on efforts to influence Egypt and is falling back upon hard core of Syria, Iraq, and Palestinians whom it will encourage to make mischief rather than work with moderate Arabs for an enduring peace. If this is so, USSR will probably cast itself as only real friend of Palestinians among the major powers—with U.S. portrayed as foe not only of Palestinians but of Arab unity as well. US has demonstrated that it is friend of moderate Arabs and of Israel. Excruciatingly difficult challenge now is to be seen as

friend of Palestinians as well in order to prevent polarization USSR appears to be seeking.

6. Wish at this point to note that ref C—instructing USINT to inform MFA of then imminent signing—reached our office via telegram on morning of September third and was decoded around noon. Time does not yet seem ripe to raise this personally with MFA. I recommend that prior to proposed talk between Secretary and Foreign Minister at UNGA I be instructed to call on Director General for Political Affairs, Ibrahim al-Wali, to confirm that meeting will take place (with general indication of timing if possible). Believe this would be more fruitful context in which to pass message about Sinai than simply to go to MFA on this topic alone.

Killough

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**298. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, September 5, 1975, 0900Z.

921. Subject: US-Iraqi Issues: (V) Falling Back on the Status Quo. Ref: A) Baghdad 898, B) Baghdad 900, C) Baghdad 919, D) Baghdad 920.<sup>2</sup>

1. *Summary:* If no progress is made at the proposed UNGA contact, what is the nature of the status quo in bilateral relations upon which we fall back? It is much better than October 1972 when US diplomats returned to Baghdad. But it is limited to economic and consular affairs. It is probable that anti-American propaganda would grow louder and more tedious but this would probably not dampen the economic relationship. *End summary.*

2. It is obviously all too possible that proposed UNGA contact between Secretary and GOI Foreign Minister will not yield breakthrough on the four issues addressed in refels: Palestine, arms, oil and the Sinai. The result would be a fallback upon the status quo with possibility of either limited deterioration or limited improvement in our currently restricted bilateral relations.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D750309–0895. Confidential; Stadis; Limdis.

<sup>2</sup> Documents 294, 295, 296, and 297.

3. It may be useful to contrast the elements of the status quo in 1975 with what it was in October 1972 when the first US diplomats returned to Baghdad. In 1972 and for some months to come, the USINT officers were subjected to massive police surveillance and access to GOI officialdom was, for all practical purposes, restricted to one middle grade officer of the MFA. At one stage the weekly exchange of classified pouches with the courier at Baghdad Airport transit lounge was elaborately filmed and videotaped by security police. Beginning with the summer of 1973, however, and the pragmatic opening up of the Iraqi economy to the West, USINT began to have greater access to bureaucracy. Now we can see any Director General in any Ministry with little or no difficulty. Given the excellent internal, vertical flow of information (at least in the Economic Ministries), that is all the access we need.

4. American businessmen are pouring into Baghdad, with the pace quickening all the time. According to one source in a position to know, after the recent state of Mississippi trade mission, the secret police were ordered to cease shadowing all American visitors without exception (as they had been) and to begin tailing only those whom they had positive reason to suspect. By March of 1976, when much of the next fiscal year's funds will have been obligated by the GOI, there will probably be up to 20 American contracting firms resident in Iraq, with perhaps 400 or 500 Americans employed by the companies.

5. By July 1976, USINT will have been forced to move from its present location by expiry of our lease. Since only two or three FSO's now in Washington have seen these premises, it is necessary to underline the absolute unsuitability of what was built as a ten room residence to serve as a US diplomatic office in the current and emerging status quo. For we are now issuing 300–500 visas per month, receiving calls from 30–60 U.S. businessmen per month and from visiting USG officers every second month, and we have four states planning to send trade missions. We could not find office space for even one more American in our current premises.

6. In the presumptive status quo which would emerge after lack of progress at the UNGA meeting, bilateral trading and other economic relations will remain and intensify. The number of Iraqi visitors to the US will continue to grow. But if the USSR, Syria and Iraq dig in their heels against the Sinai settlement and actively support the more extreme Palestinian demands, the already tedious volume of daily anti-American propaganda will swell. In such an atmosphere there are no obvious devices which we can suggest or employ for marginal improvement of the status quo. The GOI badly needs expertise on English language training and curriculum formation and the British Council regularly turns away hundreds of applicants for study of English—Iraq's diplomatic and international language par excellence. We could



be very helpful in this area if Iraq were willing to accept our help, and it is an area which we might well probe. But apart from this, it is hard to see other new areas in which we can hope for marginal improvement. USG-sponsored cultural events will not be accepted. US participation in the Baghdad International Fair will not be permitted. The MFA has been luke-warm at best in responding to our overtures for technical talks on energy.

7. In short, failure to move forward at UNGA will leave us with a workable status quo with very little likelihood of marked qualitative improvement. It is a status quo, however, to which both sides have grown accustomed and which has elements of advantage to both of us.

Killough

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**299. Memorandum From Director of Central Intelligence Colby to the President's Assistant for National Security Affairs (Kissinger)<sup>1</sup>**

Washington, September 26, 1975.

SUBJECT

Mulla Mustafa Barzani's Request to Meet with a Policy Level American Official

REFERENCE

Memorandum dated 6 September 1975; Subject: Mulla Mustafa Barzani Diagnosed as Suffering from Terminal Cancer<sup>2</sup>

1. In referenced memorandum, I noted that Barzani wanted to meet with a senior American official and that I planned to have an appropriate Agency official see him. Since that memorandum was written, officers with Barzani state that he wants to meet an official at the policy making level and will not be satisfied with a senior intelligence officer. Barzani feels very strongly that he must present his people's case to such an official before he dies (estimated at six to eight months) and has indicated that it would be inappropriate for him to leave the United States until he has done so.

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<sup>1</sup> Source: National Security Council, Ford Intelligence Files, Subject Files A–L, IO 11, Box 12, GRF, Iraq/Kurds, 4 June 1975–26 September 1975. Secret; [*handling restriction not declassified*].

<sup>2</sup> Attached but not printed.

2. Because the program of U.S. assistance to Barzani has been tightly held, I request your permission to discuss Barzani's desires with Under Secretary Sisco.<sup>3</sup>

W.E. Colby<sup>4</sup>

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<sup>3</sup> Scowcroft wrote "OK" in the margin and initialed.

<sup>4</sup> Colby signed "Bill" above this typed signature.

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### 300. Defense Intelligence Agency Intelligence Appraisal<sup>1</sup>

Washington, October 6, 1975.

#### KURDISH REFUGEE SITUATION

##### *Summary*

Kurdish hopes for an autonomous state were destroyed in March 1975 when Kurdish leader Mulla Mustafa Barzani lost Iranian support and was forced to evacuate his forces from Iraq. Nearly two million Kurds now face eventual integration into Iraqi society. Iran and Iraq will be burdened with providing long-term economic support for these refugees since aid will be required until adequate jobs and housing can be found. This transition is expected to be troublesome because neither Baghdad nor Tehran intends to allow enclaves of Kurdish nationalists, aspiring toward an independent Kurdish state, to become reestablished.

##### *Background*

Iraq and Iran remain in a quandary over the disposition of Kurdish refugees displaced from Iraq following Iran's official termination of support for the Kurdish insurgent movement. Iraqi Kurds in Iran numbered more than 140,000 prior to the signing of the Iran-Iraqi accord, concluded on 6 March in Algiers. An additional 30,000 Kurdish refugees fled to Iran to avoid the advancing Iraqi Army during the last few days of the fighting along the northern frontier.

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<sup>1</sup> Source: Washington National Records Center, OSD Files: FRC 330-78-0058, Box 65, Iran 000.1-299. Secret; Noform; Orcon; Nocontract.

*Iraq's Reaction*

Baghdad's resettlement of displaced Kurdish families began almost immediately, much to the surprise of some observers who thought reprisals against Kurds who surrendered would be extensive. Only a small number of Kurds were reportedly executed upon their capture or return to Iraq. The government moved quickly to restore normal conditions in northern Iraq (figure 1)<sup>2</sup> by granting amnesty to all Kurds except those closely associated with Kurdish leader Barzani. Despite repeated extensions by Baghdad of the amnesty deadline to encourage repatriation, only an estimated 70,000 Kurds, including some professionals and intellectuals, had returned to Iraq by the end of May. Furthermore, Baghdad's resettlement of Kurdish families to the southern provinces of Iraq and efforts to "Arabize" Iraq's northern provinces caused some 3,000 additional Kurds to flee to Iran in July. An amnesty for Kurds who were former government employees or soldiers has now been extended by Baghdad until 16 October.

The limited attention that Baghdad is paying to Kurdish needs and aspirations has contributed to the disillusionment of many returning refugees. Baghdad, moreover, does not want large numbers of Kurds now located in Iran to return since the refugees may once again resume their fight.

*Iran's Burden*

Tehran has also failed to satisfy the needs of the approximately 100,000 Kurds who remain refugees in Iran. Integration of Kurdish workers into jobs has proceeded slowly, and many Kurds have complained about inadequate living conditions in camps and resettlement areas (figure 2). Kurds who have refused to live and work where directed by Iranian authorities have been identified for eventual return to Iraq.<sup>3</sup> Refugee attitudes are deteriorating because of the harsh conditions in the Iranian camps and the slow progress in resettlement.

*Kurdish Dissidence*

Kurdish perceptions revolve around their desires to remain in their ancestral home, the Iran–Iraq border area. Kurds are also apprehensive about returning to Iraq, as they fear retaliation against other

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<sup>2</sup> Figures 1–3 are not printed.

<sup>3</sup> In telegram 8585 from Tehran, September 3, the Embassy reported that Iraq and Iran were negotiating an agreement for the repatriation, which refugees heard would be forcible, of half of the 93,000 Kurdish refugees to Iraq. (National Archives, RG 59, Central Foreign Policy Files, D750304–0157) In telegram 9909 from Tehran, the Embassy reported the assertions of Iranian officials that some 30–40,000 Kurds had agreed to return to Iraq, a number that Embassy officials increased to 60–80,000 in telegram 10236 from Tehran, October 20. (Both *ibid.*, D750352–0464 and D750363–0451)

Kurds who have in the past, undermined policies of the Iraqi government.

Kurdish dissidents in the refugee camps in Iran will continue to thwart Iranian authority. Kurds feel that their aspirations cannot be met by Tehran and, under present circumstances, they have little to lose in their quest for survival.

Several hundred hardline rebels who refused amnesty and took refuge deep in their mountainous homeland are continuing low-level Kurdish antigovernment guerilla activities in northern Iraq. Other rebels, under the leadership of longtime leftist Jalal Talabani (figure 3), have fled to Syria and have formed a new movement, the Kurdistan National Union, opposed to both Iraq and Iran. This organization does not currently pose a serious problem to either Baghdad or Tehran; however, it could become a troublesome irritant with significant foreign backing.

#### *International Aid*

The UN is currently involved in helping 1,400 Kurdish refugees to resettle in third countries. Appeals have been delivered to Australia, Austria, Canada, Denmark, the Federal Republic of Germany, the Netherlands, Sweden, Switzerland, UK, and the US to accept Kurdish refugees. However, even if all these countries respond favorably and accept token numbers of Kurds from refugee camps in Iran, both Iran and Iraq will still retain the majority of the refugees. Kurds who either do not want resettlement or do not get the opportunity to accept third country sponsorship, will continue to be discontented.

#### *Outlook*

The Kurdish refugee situation will not disappear in the Iran–Iraq border areas. Tehran will have to provide attractive jobs and adequate living conditions for those refugees remaining in Iran. Meanwhile, it will be necessary for Baghdad to dispel the fear of reprisals against the 10,000 to 20,000 Kurds who are expected to be returned to Iraqi control. Furthermore, UN bureaucratic paperwork must be expedited to obtain agreements with third countries to accept perhaps 20,000 Kurdish refugees. The Kurds are proud people, and no matter where the Kurdish refugees are eventually resettled, the Kurdish quest for autonomy will persist.

**301. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, November 3, 1975, 0520Z.

10655. For the Secretary from the Ambassador. Subj: Congressional Testimony on Kurds. Ref: Tehran 10459.<sup>2</sup>

1. At audience for Senator Fulbright<sup>3</sup> which was held late afternoon November 2 immediately after Shah's arrival from Ankara, took occasion to mention that CBS News had carried story on November 1 which inter alia mentioned CIA operation to support Iraqi Kurds with "tens of millions of dollars worth of Soviet arms."<sup>4</sup> Shah reacted with a smile rather than a frown and commented, "Yes, that story was the first thing my government mentioned to me when I alighted at the airport a few minutes ago." He did not pursue the matter and neither did I, but I have no doubt I will hear more about it when there is no third party present. Leaks such as this Schorr story right out of the Pike Committee only serve to persuade the Shah that the USG is incapable of keeping confidences or secrets.

2. Recognize how painfully aware you are of damage these leaks do,<sup>5</sup> but felt I should mention foregoing for the record and whatever ammunition it may give you in supporting your own position to keep Department cables away from Congressional committees. Incidentally, Senator Fulbright threw up his hands when I asked what could be done

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840084–0158. Secret; Immediate; Nodis; Cherokee.

<sup>2</sup> In 1975, the House of Representatives established the House Select Committee on Intelligence, known as the Pike Committee, to investigate possible abuses by the Intelligence Community. The investigation covered CIA covert operations, including that in support of the Kurds, and high-level officials, notably Helms and Kissinger, testified before it. In telegram 10459 from Tehran, October 28, Helms urged Kissinger to review the record of his testimony before the Pike Committee to prepare for the Secretary's own appearance. Helms also noted that the CIA documentation held by the Committee was voluminous and inquired as to which communications channels remained secure if back-channel communications had been revealed. (Ibid., P840084–0133)

<sup>3</sup> Former Senator J. William Fulbright visited Tehran as a representative of the Institute of International Education November 1–4.

<sup>4</sup> Telegram 260094 to Tehran, November 3, advised the Embassy that the story of U.S. assistance to the Kurds had also appeared on the front page of *The Washington Post*. In addition, the *Christian Science Monitor* had reported that Barzani was in the United States for medical treatment as a guest of the CIA and that Sisco had visited him in the hospital. The telegram stated that there would be no official comment on the allegations. (National Archives, RG 59, Central Foreign Policy Files, D750381–0723)

<sup>5</sup> Telegram 1115 from Baghdad, November 4, noted that the Baghdad dailies had reported the story but blamed Nixon and downplayed the Iranian role, apparently indicating that the government did not wish the story to disturb U.S.-Iraqi relations or Iraqi-Iranian détente. (Ibid., D750382–0334)

to stop the hemorrhaging. He indicated that he knew of nothing and opined that it would simply have to run its course, much as he disapproved of what Congress was doing.

3. Set forth below is what [*less than 1 line not declassified*] what alerted me to the leak. It is certainly what Pike Committee believes or at least what members told me they believe when I appeared before them on October 23. *Begin text.* Daniel Schorr of CBS News on 6:30 broadcast 1 November stated that the Pike Committee had uncovered a CIA operation which delivered “tens of millions of dollars worth of Soviet and Chinese Communist arms” to the Iraqi Kurds. Schorr said that the operation was conceived during the Nixon visit to Tehran in June 1972. Apparently the Shah requested that the USG provide this material and John Connally was sent to Tehran later that year in July to inform the Shah of the President’s approval.<sup>6</sup> Schorr said that CIA opposed the operation. Aid to the Kurds ceased after the Iran-Iraqi agreement of 6 March 1975. The Pike Committee stated that this action was illegal because the authorization came directly from the President and not via the National Security Council. On 1 November 75 Dr. Kissinger refused to make details of the operation public. CIA officially denied comment, according to Schorr, who said however unofficial CIA sources claim the President had the right to run such an operation directly. *End of text.*<sup>7</sup>

**Helms**

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<sup>6</sup> See *Foreign Relations*, 1969–1976, volume E–4, Documents on Iran and Iraq, 1969–1972, Documents 209 and 211.

<sup>7</sup> In *New York Times* columns, February 5 and 12, 1976, William Safire condemned the President for ending the Kurdish operation and betraying the Kurds, based on further leaks from the Pike Committee report.

**302. Memorandum of Conversation<sup>1</sup>**

Paris, December 17, 1975, 12:20–1:18 p.m.

**PARTICIPANTS**

Sa'dun Hammadi, Minister of Foreign Affairs of Iraq

Falih Mahdi 'Ammash, Iraq Amb. to France

———, Aide<sup>2</sup>

Dr. Henry A. Kissinger, Secretary of State

Isa Sabbagh, PAO, Amembassy Jidda

Peter W. Rodman, NSC Staff

Kissinger: Our two countries have not had much contact with each other in recent years, and I wanted to take this opportunity to establish contact. I know we won't solve all our problems in one meeting. It will take at least two. [Laughter] I thought a brief exchange of views would be helpful and I appreciate your courtesy in receiving me.

Hammadi: I am glad to see you, Your Excellency. We haven't had contacts, for reasons that you know and we know. It is always useful to exchange views.

Kissinger: Our basic attitude is that we do not think there is a basic clash of national interests between Iraq and the United States. For a variety of reasons, Iraq and the United States have been on opposing sides. But we have managed to normalize relations with most of the other Arabs. On purely national grounds, we see no overwhelming obstacles on our side. Maybe you have a different view.

Hammadi: We of course have different views, and I will tell you why. Iraq is part of the Arab world. We believe the United States has been the major factor in building up Israel to what it is today.

Kissinger: True.

Hammadi: It was created in 1948 and could not have lived up to this day without the United States.

Kissinger: The Soviet Union was active then too.

Hammadi: True. That is why there were some strained relations with the Soviet Union. Our good relations with the Soviet Union are

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<sup>1</sup> Source: National Archives, RG 59, Records of Henry Kissinger, 1973–1977, Lot 91D414, Box 23. Secret; Nodis. All brackets are in the original. The meeting was held at the Iraqi Ambassador's Residence. This meeting took place after numerous failed attempts to arrange it. See, for example, telegram 1183 from Baghdad, November 18. (Ibid., Central Foreign Policy Files, D750400–0820)

<sup>2</sup> As on the original. Apparently Rodman, who presumably drafted the memorandum of conversation, did not know the aide's name.

only more recent. The Communists were not popular with the masses then.

But the difference is you believe Israel is there to stay. We believe Israel was established by force and is a clear-cut case of colonialism. Israel was established on part of our homeland. You don't believe that.

But that is not the whole story. Israel is now a direct threat to Iraq's national security.

Kissinger: How to Iraq?

Hammadi: Israel has built up to a military power that can threaten Iraq, especially with the recent news that we read of the US supplying sophisticated weapons. So it is not only the Arab world that is threatened, and Iraq being part of the Arab world, but Iraq itself. We think the US is building up Israel to have the upper hand in the area.

Even Lebanon—they say it affects Israel's security. A strong, powerful nuclear Israel with the upper hand in the area. Whatever happens in the Arab world is interpreted as a threat to Israel. Even a change of government in Iraq would be interpreted that way.

Kissinger: My impression is if you change your government in Iraq, they won't object. [Laughter] I understand your problem.

Hammadi: This is my painting of the picture now—up to 1980. You say the United States is bringing all its weight to bring about a settlement. But this is a settlement, not peace. A new wave of troubles and clashes will start, because Israel is not a state to stay within what they are. Because if there is an opportunity, they will expand. The record shows it. And they are supported by the biggest power in the area. What the United States is doing is not to create peace but to create a situation dominated by Israel, which will create a new wave of clashes.

Kissinger: I understand what you are saying. When I say we are willing to improve relations with Iraq, we can live without it. But it is our policy to move toward better relations.

I think, when we look at history, that when Israel was created in 1948, I don't think anyone understood it. It originated in American domestic politics. It was far away and little understood. So it was not an American design to get a bastion of imperialism in the area. It was much less complicated. And I would say that until 1973 the Jewish community had enormous influence. It is only in the last two years, as a result of the policy we are pursuing, that it has changed.

We don't need Israel for influence in the Arab world. On the contrary, Israel does us more harm than good in the Arab world. You yourself said your objection to us is Israel. Except maybe that we are capitalists.

We can't negotiate about the existence of Israel but we can reduce its size to historical proportions.



I don't agree Israel is a permanent threat. How can a nation of three million be a permanent threat? They have a technical advantage now. But it is inconceivable that peoples with wealth and skill and the tradition of the Arabs won't develop the capacity that is needed. So I think in ten to fifteen years Israel will be like Lebanon—struggling for existence, with no influence in the Arab world.

You mentioned new weapons. But they will not be delivered in the foreseeable future. All we agreed to is to study it, and we agreed to no deliveries out of current stocks. So many of these things won't be produced until 1980, and we have not agreed to deliver them then.

Our policy is to move our policy towards peace and to improve relations with the Arab world. Iraq is not a negotiator, but I think the policy of Egypt and Syria to improve relations with us helps us to bring pressure for a settlement.

The Israelis like you better than Sadat, because they like to put it in terms of a US-Soviet problem. We don't want you to have unfriendly relations with the Soviet Union; we don't interfere in your relations with the Soviet Union. But basically, the Israelis prefer radical Arabs.

If the issue is the existence of Israel, we can't cooperate. But if the issue is more normal borders, we can cooperate.

We have moved toward normalization with others—except Libya. South Yemen we will move towards.

Hammedi: We are on the other side of the fence. We have the right to ask many questions.

Kissinger: Please.

Hammedi: Given the record, what can make us believe the United States won't continue the policy of the last twenty years of giving unlimited support.

Kissinger: It depends on what you mean by unlimited support. One important change in America . . .

Sabbagh was with me when I saw Faisal for the first time. I told him it would take a few years; we would have to move slowly. I have told all the Arabs this. It has now reached the point in America where attitudes have changed. When I testify to Congressional committees, I face increasingly hostile questions about Israel. No one is in favor of Israel's destruction—I won't mislead you—nor am I.

But the support in the 1960's was \$200–300 million. Now it is \$2–3 billion. That is impossible to sustain. We can't even get it for New York. It is just a matter of time before there is a change—two to three years. After a settlement, Israel will be a small friendly country with no unlimited drawing right. It will be affected by our new electoral law,

strangely enough.<sup>3</sup> So the influence of some who financed the elections before isn't so great. This has not been so noticed. It will take a few years before it is fully understood.

So I think the balance in America is shifting. If the Arabs—if I can be frank—don't do anything stupid. If there is a crisis tied to the Soviet Union, groups in America could make it an anti-Communist crusade.

Hammadi: So you think the US policy after a settlement wouldn't be the same?

Kissinger: We want the survival of Israel, but not dominating the area. No one can conquer the Arab world. Even if they take Damascus, Cairo and Amman, you will be there, and Libya will be there. So if Israel wants to survive as a state like Lebanon—as a small state—we can support them.

Hammadi: What is the Israeli thinking?

Kissinger: First, they want to get rid of me. Because I made them go back. Second, in 1976 they want to provoke the Arabs—in Lebanon, in Syria—because they think if there is war they can win and create great turmoil. Third, they want to pass legislation in America to antagonize as many Arabs as possible. So we get the anti-boycott, anti-discrimination, anti-arms sales legislation. They hope the Arabs will go back to a situation like 1967–1973, when the Syrians and Egyptians adopt an anti-American line. So they can say they are the only American friend in the Middle East. What they want is what you predict—that they be the only friend. We want other friends, to reduce that argument.

Aide: Your Excellency, do you think a settlement would come through the Palestinians in the area? How do you read it? Is it in your power to create such a thing?

Kissinger: Not in 1976. I have to be perfectly frank with you. I think the Palestinian identity has to be recognized in some form. But we need the thoughtful cooperation of the Arabs. It will take a year or a year and a half to do it, and will be a tremendous fight. An evolution is already taking place.

Aide: You think it will be part of a solution?

Kissinger: It has to be. No solution is possible without it. But the domestic situation is becoming favorable. More and more questions are being asked in Congress favorable to the Palestinians.

Hammadi: Do you think a Palestinian state is possible?

Kissinger: We don't exclude it as a matter of principle. You can't do it now.

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<sup>3</sup> Kissinger is referring to amendments to the Federal Election Campaign Act that limited campaign contributions.

Hammedi: What about the Palestinians who are now refugees? The Palestine area is now crowded—Gaza and the West Bank.

Kissinger: They should have a choice, either to stay where they are or go to a Palestinian state.

Hammedi: You think some in, say, the Galilee area might choose to leave Israel and join the new Palestinian state?

Kissinger: In Galilee?

Hammedi: Arab Israelis.

Kissinger: I have told friends that peace isn't a final end. Wars begin elsewhere between countries that are at peace. Only in the Middle East do wars begin between countries that are at war. But we support the existence of Israel. We draw the line at the destruction of Israel.

Aide: The Palestinians already put aside this idea. This is my personal view. Because the Israelis are trying to buy land in the Galilee area and there is resistance. The Communist Party in the area is using it in the municipal elections. Is this because the Israelis are looking to the creation of a Palestinian state and want to buy this land?

Kissinger: It could be in their minds. I am not familiar with it.

Aide: This is being used by the Communist Party in the area. The Israelis know you Americans are behind the idea of a Palestinian state.

Kissinger: We have to be careful and move gradually. The Israeli press accuses me. I have said we can't move to the Palestinians until they accept the existence of the State of Israel and Security Council Resolution 242. I have never excluded the recognition of the PLO; I have always tied it to recognition of Israel and 242. The implication is we will do something if they do recognize Israel and 242.

Aide: Kaddumi says: "How can we recognize Israel if they don't recognize the PLO?"<sup>4</sup>

Kissinger: With all respect, what Israel does is less important than what the United States does.

Hammedi: Your Excellency, your and our points of view are different. You are for the existence of Israel; we are not. So on this point I don't think we can agree.

Maybe we can talk of other aspects.

We are not against improving relations with any state, even states with whom we have basic differences.

We read in the newspapers the United States was providing weapons to the Kurdish movement in the north of Iraq. Our attitude is

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<sup>4</sup> Farouk Kaddoumi was the head of the PLO's political department.

not based on that; we have a reason to believe the US was not out of this. What is your view?

Kissinger: When we thought you were a Soviet satellite, we were not opposed to what Iran was doing in the Kurdish area. Now that Iran and you have resolved it, we have no reason to do any such thing. I can tell you we will engage in no such activity against Iraq's territorial integrity, and are not.

Hammadi: This is a result of that agreement? That you think we are not satellites?

Kissinger: We have a more sophisticated understanding now. We think you are a friend of the Soviet Union but you act on your own principles.

Hammadi: Next year, if we sign an economic agreement with the Soviet Union, will you go back to the other view?

Kissinger: I wouldn't be here if we were not willing to have a new relationship with Iraq. If you have an economic relationship with the Soviet Union, that is your business. We don't interfere. It is our view that you are pursuing your own policies. We don't like what you are doing on your own. [Laughter]

We are moving towards more complex relations with the Arabs. Our policy now we don't think is inconsistent with the integrity and the dignity of Iraq.

Hammadi: We have different concepts. We have relations with the Soviet Union; we import arms from the Soviet Union. That led the United States to intervene and encourage a movement that would cut our country to pieces.

Kissinger: That goes too far. We were not the principal country involved there.

Hammadi: But the United States contributed arms in a way.

Kissinger: In a way.

Hammadi: And the Kurds wanted to cut Iraq to pieces.

Kissinger: There is no purpose discussing the past. I can only tell you what our intentions are. I understand what your concerns and suspicions are. We can wait. We need not draw any practical conclusions from this meeting.

Hammadi: Our concern is, has the United States really changed its position? What would insure that this would not be repeated in the future? Any time any country exercises its sovereign right, the United States gets involved in an activity that goes to heart of its integrity?

Kissinger: Take Syria. Syria gets all its arms from the Soviet Union. The Syrians will confirm we have never interfered in their affairs and never interfered in their military relationship with the Soviet Union.

We have made diplomatic attempts to influence their policy, which is normal. So with more mature relations with the Arabs, that is excluded.

Hammadi: What about Lebanon?

Kissinger: We have stayed out of Lebanon. We have done nothing in Lebanon. My view is that the Moslem weight will have to increase. We have had many talks with the Syrians and the Saudis but we have not engaged in any intelligence activities. That I can tell you. I mean, we collect information but not arms.

Hammadi: The United States is not in favor of dividing the country?

Kissinger: We are opposed.

Hammadi: The United States is not involved but would oppose.

Kissinger: We have not been asked, but if we were, we would oppose. I have made repeated public statements in favor of the integrity of Lebanon.

Hammadi: I am glad to hear it because we in Iraq are very sensitive to territorial integrity. Why are you opposed?

Kissinger: Because we believe the basis for peace in the Middle East is the integrity of the States in the area. Then you would have two more fragments. A Christian state would have to find outside support and a Moslem state would have to find outside support. It would add instability. You must know we are for the unity of Lebanon.

Hammadi: We were concerned about Israeli intervention.

Kissinger: We have strongly warned Israel about it. It would only gain them another few 100,000 Arabs and make a settlement impossible.

Hammadi: Is anyone internationally favoring a split?

Kissinger: No one I can see.

Hammadi: None of the big powers?

Kissinger: The Europeans like to play without risk. In the Middle East you can't play without risk. I tell you flatly, we won't support it. We are prepared to cooperate to support the unity of Lebanon. We are only afraid that if we become active, the Soviet Union will become active. We have talked to Syria and Saudi Arabia and Egypt and Algeria.

Hammadi: I would like to sum it up—our concern in our bilateral relations. We differentiate between political and other kinds of relations. A few years ago we lumped them all together. Economically, technically, Iraq is not closed to the United States. There is no objection to developing relations with the United States on the economic and cultural level. Only on the basis of noninterference in internal affairs. There are some U.S. companies in Iraq and they are assured they are treated fairly.

On the political level, we broke relations for a reason and we think the reason stands.

Kissinger: Leaving aside diplomatic relations—and you will want to think about it—if we want to exchange views, we could send somewhat more senior people to the Interest Sections in each other's capital.

Hammadi: But the higher the level of representatives, the closer we are getting to diplomatic relations.

Kissinger: But how do we do it? Through the UN mission? Or your people in Washington?

Hammadi: We can do it on a case-by-case basis.

Kissinger: All right. When you come to New York, we can meet. We can do it on a case-by-case basis.

You will see: Our attitude is not unsympathetic to Iraq. Don't believe; watch it.

Hammadi: We are a small state. We have to be more careful.

Kissinger: Things will evolve. We can stay in touch through Washington or New York.

Hammadi: Finally, I would like to say this Kurdish problem is of vital importance to us.

Kissinger: I can assure you. There will be no concern. One can do nothing about the past.

Hammadi: Not always.

[The Foreign Minister escorted Secretary Kissinger and his party to the door.]

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### 303. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, January 13, 1976, 0454Z.

28. Subj: Meeting With FonMin Undersecretary Hadithi.

1. *Summary*: On Jan 8 I called on FonMin Undersecretary Hadithi, who is ranking Baath Party member in FonMin. Call was forward step in USG–GOI relations since USINT had been previously limited to Sec

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 7, Country File, Iraq (1), 1/13–11/15/76. Secret; Exdis. Repeated to Amman, Beirut, Cairo, Damascus, Tel Aviv, and USUN.

Gen level in FonMin. Hadithi indicated that some change in US attitude towards Palestinians was necessary for improved USG–GOI relations, but GOI did not expect USG to give up its support for Israel.<sup>2</sup> He also said that “some Arab states” knew that they would have to recognize existence of state of Israel, but restated GOI position that “secular” state in Palestine was proper solution. He said that GOI did not support current settlement efforts because they would not lead to “satisfactory Arab objectives”, but he did not say that Iraq would work actively to block these efforts. Since meeting produced useful exchange of views, I recommend that I be instructed to convey further details to GOI on USG policy in regard to Palestinians and on USG position in current UNSC debate.<sup>3</sup> *End summary.*

2. On Jan. 8 I called on Mohammed Sabri al-Hadithi, Undersecretary in Ministry of Foreign Affairs. I had requested appointment for courtesy call two days earlier. Fact I was granted appointment is in itself encouraging forward step in USG–GOI relations since USINT contacts at Foreign Ministry had previously been limited to Director General level. Hadithi has geographic responsibility for all non-Arab countries in FonMin and is also known (and feared) as ranking Baath Party member in Ministry. Meeting was generally friendly in tone.

3. I began meeting with usual courtesies and told Hadithi that Secretary had personally approved my assignment to Baghdad and I looked forward to establishing more effective and higher level dialogue with GOI than we had had in recent years. I said I thought it important that we have clearer understanding of each other’s positions through such exchanges. Otherwise both governments would have to base their policy decisions on assessments of the other’s positions which were gathered from journalistic accounts and other secondary sources. This could lead to misunderstandings and miscalculations. I pointed out that when nations are having differences, accurate communication between them becomes even more essential. I added that the foreign policies of all nations constantly evolve in the light of new circumstances and it is important that we both have accurate under-

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<sup>2</sup> Telegram 29 from Baghdad, January 13, reported that the government-controlled press featured an article alleging that the U.S. Government had found exclusive reliance on Israel inadequate to serve American interests and had shifted to reliance on certain Arab states as well, adopting a more neutral attitude that recognized Palestinian rights. The Interests Section noted that this considerable change from previous official propaganda might represent an effort to lay the groundwork for improved U.S.-Iraqi relations. (National Archives, RG 59, Central Foreign Policy Files, D750013–1072)

<sup>3</sup> The UN Security Council began a debate on the Middle East on January 12. On the opening day, the Council voted to allow the PLO to participate in the debate with all the rights of a UN member nation. The United States was the only nation to vote against the proposal.

standing of each other's positions and attitudes to incorporate into our respective decision-making processes. I also mentioned that USG was pleased by the expansion of trade and commercial links between the United States and Iraq and said that we wished to support this expansion more effectively. With this end in mind we hoped to add two or three positions to the USINT staff.

4. Hadithi replied that he was happy to receive me and that he agreed with what I had said about the importance of accurate communications. He also said that he thought that American business and technology had much to offer the underdeveloped world, including Iraq, and that American business representatives would have free access to all agencies of the GOI as required to make the necessary commercial contacts.

5. Hadithi then proceeded with the inevitable lecture on American inequities towards the Palestinians and gave particular emphasis to the US veto of the UNSC resolution condemning the Israeli air raids on Lebanon. I replied that we too strongly deplored Israeli air attacks and we regretted that we had felt compelled to veto the resolution. But we could not treat the air attacks as though they had taken place in a vacuum and were unrelated to any previous events. We thought the resolution should have condemned all acts of violence in the area.

6. Hadithi asked what other acts I was referring to and I said that we had in mind the acts of the Palestinian terrorists who had also killed innocent women and children. We thought all such acts were senseless and only made a solution more difficult to achieve. Hadithi replied that the Israelis had committed aggression on the Palestinians and therefore the GOI did not consider anything the Palestinians did in return as aggression.

7. Hadithi then made point that GOI had excellent relations with a number of states that support right of Israel to exist as an independent nation. He mentioned France and certain Arab states that had accepted Resolutions 242 and 338. He said that Iraq did not insist that USG drop its support for existence of state of Israel in order to have good relations with GOI. What did bother GOI was totally one-sided attitude of USG on Palestinian question which had now resulted in almost complete isolation of USG from all other countries of the world on Palestinian issues as evidenced by recent UN votes. He said that USG still seemed incapable of admitting that injustice had been done to Palestinians or that they had legitimate grievances against state of Israel.

8. I replied that the USG was very much aware of the need to take Palestinian interests into account in reaching a settlement of the Arab-Israel problem and I suggested that he take a close look at the



Saunders statement,<sup>4</sup> a text of which I had transmitted previously to the Foreign Ministry. I said that this statement spelled out our concern for Palestinian interests in more detail than had our earlier official statements. Hadithi indicated he would look carefully at the statement.

9. Hadithi then mentioned that the official GOI position on Israel is that Jews and Arabs should link together peacefully in a single secular state but he also said that “other Arab states” knew in their heart of hearts that they would someday have to accept the existence of a state of Israel. He said that Iraq differed from these states on this issue because Iraq did not believe that the current diplomatic efforts towards peace in the area would lead to “satisfactory Arab objectives.” *Comment:* Although Hadithi did not say so explicitly, implication of his remarks was that Iraq would not necessarily oppose efforts of other Arab states to reach settlement that included some recognition of the state of Israel. In fact, GOI has refrained from criticizing Sadat or the Government of Egypt for Sinai II agreement. *End comment.*

10. I ended up conversation by repeating earlier statement that foreign policies of all states are in a constant state of evolution in the light of new circumstances and that I believed time had come for more active dialogue between our governments. I mentioned that Secretary had hoped to see Foreign Minister Hammadi at UN last fall and that we were sorry meeting had not taken place. I also said I was certain that Secretary would still like to meet with Foreign Minister on suitable occasion. Hadithi said he would pass this along to Foreign Minister.

11. *Comment:* Meeting was cordial and Iraqis now appear willing to conduct substantive exchanges with USINT at reasonably senior levels of GOI. Most interesting substantive points that emerged during meeting were: A) Hadithi’s admission that “some Arab states” knew in their “heart of hearts” that they would have to accept the existence of the state of Israel and B) Hadithi’s statement that United States would not have to give up its support of Israel to enjoy good relations with Iraq but only show more understanding of Palestinian grievances. Meeting also tended to confirm my earlier impression that GOI policy is evolving away from hard line “rejectionist” activism and towards a hands-off attitude on a possible Arab-Israeli settlement, although extremist rhetoric will no doubt continue as daily bread and butter of Baghdad’s government-controlled press. *End comment.*

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<sup>4</sup> On November 12, 1975, Deputy Assistant Secretary of State for Near Eastern and South Asian Affairs Harold Saunders, in a statement before the House Special Subcommittee on Investigations on the Political Future of the Palestinians, asserted that “the legitimate interests of the Palestinian Arabs must be taken into account in the negotiating of an Arab-Israeli peace.” (“Palestinian Issue in Middle East Peace Efforts,” CIS-No. 76–H461–21, pp. 176–198)

12. I recommend that we follow up on the GOI's apparent willingness to engage USINT in substantive discussions. In particular, I believe we could probe further on question of how far GOI policy has evolved away from rejectionist activism and extent to which GOI has now put other priorities, such as economic development, ahead of their concern for Palestinian causes. We might also be able to obtain some idea of their thinking on future security arrangements for the Gulf.

13. I therefore recommend that I be instructed to request an appointment with Hadithi, or if Hadithi is not available, with Wali, the Director General of the Political Dept. in the Foreign Ministry, and make a further approach under instructions on USG policy towards the Palestinians and USG position in the current UNSC debate. After making this presentation I could probe further on Iraq's attitude towards the rejectionist front and, if time permits, ask for Iraq's views on possible future security arrangements in the Gulf.

Wiley

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**304. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, March 20, 1976, 0707Z.

372. Subj: Iraqi Relations with the United States—Prospects and Problems.

1. *Begin summary:* Iraqi policies are evolving in a direction that could bring about at some point a resumption of diplomatic relations between Iraq and the United States. It is difficult to predict the timing of such an event, but we have noted a rather steady expansion in the scope of activities permitted to USINT, and the Iraqi press, while still capable of strident anti-American polemics, seems to have reduced somewhat the frequency and vehemence of its attacks on the United States. It is quite clear, moreover, that Iraq hopes to reduce its previous international isolation and expand its commercial ties with the West, including expanded business relations with U.S. companies. These policies will, no doubt, eventually trigger a resumption in diplomatic rela-

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 7, Country File, Iraq (1), 1/13–11/15/76. Secret. Repeated to Abu Dhabi, Amman, Ankara, Beirut, Cairo, Damascus, Doha, Jidda, Kuwait, London, Manama, Muscat, Paris, Tehran, Tel Aviv, and USUN.

tions, but there are still a number of outstanding problems that at the present time would make it difficult to establish U.S.-Iraqi relations on a basis of even minimal cordiality. But there are also trends at work that may ameliorate these problems with the passage of time. *End summary.*

2. First among the problems that stand in the way of more normal U.S.-Iraqi relations is Iraq's public espousal of the "rejectionist front." Publicly, at least, Iraq has denounced USG's efforts to bring about an Arab-Israeli settlement as a "liquidation" of Arab rights. The GOI and its controlled press have however, been rather selective in picking their targets for attack on this issue. They have generally concentrated their fire on the Syrian regime, whom they are always happy to attack with or without a plausible reason. Hussein and Bakr, when speaking publicly on this issue, have avoided name calling and limited themselves to the observation that recent efforts to bring about a settlement will not lead to any positive Arab goal. In our diplomatic exchanges with FonMin officials, we have received hints that Iraqi participation in the "rejection front" is primarily rhetorical and that Iraq will not, in fact, work hard to block movement towards a settlement.

3. Related to Iraqi alignment with the "rejection front" is Iraq's possible support for terrorism. Officially, the GOI denies that it supports terrorism except within the borders of Israel, where it considers any action against the "aggressor" Israelis to be justified. In fact, its past conduct and its present association with certain known terrorists, such as George Habash, raise serious questions about the extent of Iraqi involvement in terrorist activities.

4. Perhaps less important, but still significant, are the problems related to Iraq's brutal police state system of internal control. The arbitrary exercise of power by Iraqi security authorities makes life in Iraq difficult for foreigners and Iraqis alike. Life is particularly difficult for Iraqis who have social, or even business contact with foreigners. Iraq's lack of respect for accepted principles of international comity, and lack of due process in dealing with real or suspected violators of Iraqi law, have clouded Iraq's relations with a number of states and will pose continuing problems for American firms interested in doing business in this country.

5. Normalization of relations is also hindered by the years of anti-U.S. and anti-imperialist rhetoric which has had an inevitable impact on the attitudes of the Iraqi people, particularly the younger generation. Although the GOI has been known to make major policy reversals overnight, it doubtedly would need some popular justification for a significant alteration in its policies of hostility towards the United States.

6. The developing split between Syria and Egypt may, ironically enough, provide an opening for some improvement in relations be-

tween Iraq and the United States. Iraq may now find common ground with Egypt in its opposition to the Syrian regime and there is an increasing parallelism in the reorientation of the two economies away from the Soviet bloc and towards the West. While the Iraqi regime still carries considerably more Marxist ideological baggage than the Egyptian, the Iraqi leadership is, in practice, more Arab nationalist than Marxist. Its devotion to socialism probably has more to do with gaining and exercising central control over the disparate elements that constitute Iraq than with an ideological commitment to Marxist principles. The Baath Party obviously has little interest in a dictatorship of the proletariat (or of anyone other than the Baathi elite) and it certainly does not believe in the ultimate withering away of the central state.

7. What the regime does want is a rapid transformation of Iraq into a modern industrial and agricultural nation. It would also derive tremendous emotional satisfaction from the overthrow of the present Syrian regime. In both these respects, it may now perceive a growing identity of interests with Egypt and will no doubt watch with great interest the extent to which the United States helps Egypt in achieving current Egyptian national goals. As Iraq's ambitious development program begins to press on the limits of its budgetary resources, the Baath regime may also become increasingly intrigued by the sight of enormous capital transfers from Saudi Arabia and the oil-rich Gulf states to Egypt. It might then conclude that a closer alignment with the conservative Arab states would be more conducive to the achievement of Iraq's number of national goals of economic development than would continued participation in the more radical and more Soviet-oriented "rejectionist" Arab grouping.

8. One major inhibition on Iraq's Westward movement is its continued reliance on the Soviet military supply relationship and on East European support for Iraq's powerful security and intelligence apparatus. Here too, however, there is some movement Westward as Iraq explores arms purchase possibilities with France and Great Britain and contracts for security equipment from Western European and American suppliers.

9. All this has certain implications for U.S. policy. For one thing, we could enter into a more active dialogue with the Egyptian leadership on the subject of U.S. and Egyptian relations with Iraq. We might be able to develop triangular commercial relations with Egypt and Iraq that would have the effect of building a three-way community of interests. We could encourage the British and French to sell arms to Iraq and thereby reduce Iraq's dependence on the Soviet Union. We could ourselves be more forthcoming on supplying non-lethal military items to the Iraqi armed forces and security services. We could find new ways to support U.S. commercial interests in Iraq; for example, we could

open up the facilities of the Ex-Im Bank to American companies bidding for Iraqi contracts.

10. As the Baath Party becomes more absorbed in Iraq's economic development and more secure in its own internal power position, the problems in normalizing relations mentioned at the start of this message should ameliorate and the Iraqi regime should become more committed to goals similar to our own in the region, i.e. peace, stability, and expanding commerce with the West.

Wiley

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**305. Telegram From the Department of State to the Embassy in Saudi Arabia<sup>1</sup>**

Washington, April 12, 1976, 2259Z.

88041. Subject: Saudi Query about Soviets in Iraq. Ref: (A) Jidda 2555, (B) Jidda 2626.<sup>2</sup>

1. Soviet presence in Iraq includes approximately 1000 military advisors, primarily in training and maintenance areas, and approximately 2000 civilians and technicians in such areas as oil development and exploration, irrigation projects, and power projects.

2. As far as we know, there is no Soviet base or base-type facility in Iraq. The most persistent claim in this regard is that there is a Soviet Naval base at Um Qasr. Though the tiny Iraqi Navy is based there and Soviet vessels use the port for occasional refueling, we have no evidence that the port is a Soviet base. Our understanding of the Iraqi position is that they would resist any Soviet request to establish a Soviet base in Iraq.

3. Soviet influence. Despite a continuing Soviet presence in Iraq, and periodic protestations of friendship and cooperation between the two countries (as in Iraq's hosting of a "Friendship Week" for the So-

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff, Box 7, Country File, Iraq (1), 1/13–11/15/76. Confidential; Immediate. Repeated to Baghdad.

<sup>2</sup> Telegram 2555 from Jidda, April 8, requested on behalf of the Saudi Foreign Minister an assessment of Soviet influence, especially military presence and control, in Iraq. (National Archives, RG 59, Central Foreign Policy Files, D760132–1104) Telegram 2626 from Jidda, April 11, requested the assessment prior to Saddam Hussein's arrival on April 13. (Ibid., D760138–0051)

viets recently, and its signing of an Iraqi-CEMA agreement last year which called for a joint Iraqi-Soviet commission to promote economic cooperation), Iraqi-Soviet relations have been under some strain over the past year. With the end of the Kurdish war, the Iraqis have been able to take a breather and consider whether they could lessen their dependence on Soviet military matériel. Though the Soviets are concerned, as are the Iraqis, with maintaining a counterbalance against the Iranian arms build-up, and continue to be a major Iraqi supplier of matériel, especially major weapons systems, the Iraqis have expressed dissatisfaction with some aspects of this arrangement and are making a point of trying to diversify their arms supply sources.

4. Iraq has publicly expressed its dissatisfaction with Sov. technology and is increasingly turning to the West for the goods and services it requires for its ambitious national development plans. It is also relying heavily on Eastern European participation in these programs. Though some contracts continue to go to the Soviet Union, they are dwarfed by the bids being won by Western firms and Eastern European organizations.

5. There have also been some political problems. Iraq is angered by what it sees as Soviet support for its bitter rival Syria in such matters as the Syrian-Iraqi dispute over the Euphrates River water and the recent Soviet arms deal with Kuwait, with whom Iraq also has serious differences. Members of the Moscow-oriented Iraqi Communist Party have reportedly been arrested or questioned by Iraqi authorities in recent months, and the Soviet Cultural Center and a Soviet-backed newspaper were shut down last year.

6. Iraq is maintaining many of its Soviet ties and will probably continue to do so, especially in the general context of the Arab-Israeli conflict. It also continues, for example, to keep approximately 30 of its foreign assets in Communist country holdings, including the Soviet Union. Nevertheless, it is no longer a relationship which can be taken for granted by the Soviets.

**Kissinger**

**306. Intelligence Report Prepared in the Bureau of Intelligence and Research<sup>1</sup>**

No. 414

Washington, April 21, 1976.

**IRAN–IRAQ: ONE YEAR AFTER ALGIERS**

The Algiers Accord, signed by Iran and Iraq on March 6, 1975, has proved to be largely a trade-off on specific issues rather than a prelude to an era of cooperation. Iran cut off its clandestine support of Iraq's Kurds, which had kept their rebellion alive; Iraq, in return, accepted the Iranian position that the thalweg of the Shatt al-Arab river would be the boundary between Iraq and Iran.

Looking back over the past year, it is clear that the two leaders—Iraqi strongman Saddam Husayn and the Shah—were willing to apply a pragmatic solution to the Kurdish question largely because:

—Both feared that the situation might have led to an all-out military confrontation that neither wanted.

—Saddam was anxious to end the fighting because his deep preoccupation with the Kurdish problem was leading to criticism of his regime by the army.

—The Shah believed that the benefits of supporting the losing Kurdish causes were diminishing, and he saw a chance to gain a long-desired recognition of his position in the Shatt al-Arab boundary dispute.

*Letter of Accord Intact.* A series of high-level exchanges, including a visit to Iran in April 1975 by Saddam, battened down the details. On June 13, a treaty and three protocols formalized the March 6 agreement. Since then, Iran has been satisfied with Iraq's repatriation of the Kurdish refugees returning from Iran; Iraq has desisted from acts of intimidation; and there has been a minimum of friction at the working level. Border demarcation and control measures are largely complete, and only formal ratification by the two parliaments remains.

On December 26, 1975, the foreign ministers signed a number of additional agreements on minor matters—livestock grazing, Shatt al-Arab navigation, joint frontier commissions and pilgrimages—that are regarded as lying within the framework of the Algiers Accord. The

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 7, Iraq (1). Secret; Not Releasable to Foreign Nationals; USIB Departments Only; Not Releasable to Contractors or Contractor-Consultants; Dissemination and Extraction of Information Controlled by Originator. Prepared by Frank Huddle, Jr. and approved by George S. Harris.

December agreements, however, did not set forth details because the ministers were unable to come to terms on the fine points.

*Good Feelings Have Been Eroded.* The satisfaction generated on both sides by the March 1975 agreement lasted at least through Saddam's visit a month later to Iran, where he was "deeply impressed" by his reception. By mid-December 1975, Iranian Foreign Minister Khalatbari was saying privately that "the spirit of cooperation which had existed after the March talks in Algiers between the Shah and Saddam is now dead." On the anniversary of the accord, Khalatbari's deputy mentioned a further worsening of relations.

In the Iranian view, Iraq has:

- reneged on a promise to cooperate on a binding Gulf security pact that would close the Gulf to foreign warships and protect existing governments against subversion, and is about to renege on lesser agreements covering grazing rights and pilgrimages;

- continued to harbor and aid Iranian dissidents, PFLO<sup>2</sup> insurgents, and subversives in Bahrein, Kuwait, and Qatar and is striving to wreck Iran's relationship with the smaller Gulf states;

- shaved the price of oil through under-the-table deals;

- dusted off the Khuzistan issue as a means of spoiling Iranian efforts to woo the small Arab Gulf states.

Iraq, on the other hand, is wary of Iran's Gulf security scheme, which would exclude the great powers and leave the more powerful Iranian navy and air force to decide Gulf disputes. There is no evidence that the ruling Baath Party intends to back away from support of regional radical elements, although the current thrust of Iraqi policy is to promote closer relations with various Gulf states on a bilateral basis. For domestic political reasons, Saddam has a limited ability to resolve other outstanding issues with Iran:

- there is strong feeling within the Baath Party that Iraq conceded too much to Iran in exchange for ending the Kurdish rebellion;

- the army felt that its honor was tarnished, especially after senior officers received telegrams from leading Kurds congratulating them on their "military success" and wishing them "a second victory in Palestine."

*The Soviet Factor.* Both Iran and Iraq have been sensitive to a negative Soviet response to the Algiers Accord. The Shah cancelled his trip to Baghdad last June in part to avoid drawing Soviet attention to Iraq's new pragmatism in resolving a major issue without prior notice to Moscow. Saddam, who moved between 1973 and 1975 to reduce Iraqi economic dependence on the USSR, in the past year has halted the drift away from the Soviets.

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<sup>2</sup> Popular Front for Liberation of Oman. [Footnote in the original.]



High-level Iranian officials claim to have evidence that Moscow is forcing Saddam into line by threatening to stop delivery of arms and spare parts. The Iranians also believe that the Soviets are responsible for Iraq's refusal to work constructively on Gulf security matters or to allow an Iranian military delegation to inspect Umm Qasr's port facilities; inspection allegedly had been provided for in a "gentleman's agreement" reached after the Algiers meeting. The Iranians suspect that the Iraqis are using Umm Qasr as a holding point for Soviet equipment destined for South Yemen and the PFLO insurgents.

*Prospects.* The Algiers Accord, which relieved the two most troublesome bilateral irritants, has allowed Iran and Iraq to work constructively on lesser issues, but not on Gulf security. While Iran still clings to its hopes for a security pact creating a military or political organization of Gulf states and closing the Gulf to foreign warships, Tehran recognizes that it has lost its leverage over Iraq with the end of the Kurdish rebellion. Saddam was willing last year to compromise his brand of Arab radicalism because he feared that the Kurdish rebellion would lead to an army coup, but he has no incentive for further compromise.

In the short term, the two nations are not on a collision course, despite the continuation of various bilateral disputes. The Shah has forbidden hostile press commentary for the time being and has instructed his ambassador in Baghdad to work for better relations. However, he has also vigorously promoted the Iranian view on certain outstanding issues. Iraq, in turn, has treated the Iranians carefully. While flatly rejecting some of Iran's demands, it has emphasized the importance it attaches to good relations with Iran.

Over the long run, Iran and Iraq, as natural competitors for regional primacy, will find it difficult to maintain smooth relations. However, the mutual desire to back away from armed hostilities, as reflected by the Algiers Accord, may invite further compromises on specific irritants.

### 307. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, April 27, 1976, 0639Z.

563. Subj: Problems in Implementation of Iraq's "Openness" Policy.

1. *Summary:* RCC has made high level decision to open up Iraq to Western commercial interests and has undertaken sustained drive to improve relations with neighbors through exchanges of Ambassadors, numerous high level visits, and a variety of other exchanges. Working level of GOI, however, has not been geared up to cope with the demands of the new policy nor have Iraq's restrictive security procedures been modified. The result is a frustrating operational environment for both official and private foreigners in Iraq, and a potential for serious divisions within the regime. Foreign governments and private firms will continue to find it difficult to deal with the GOI, but current economic and political trends still provide major opportunities for governments and firms prepared to cope with the problems of working in Iraq. *End summary.*

2. Over the past three years, the RCC and the senior levels of the Baathi regime in Iraq have actively pursued a policy of encouraging participation of Western private companies in Iraq's development program. The regime has also attempted to reduce Iraq's international isolation by improving relations with most of the countries in the Middle East region and in the rest of the world. The most visible indications of the latter policy are the constant stream of high level governmental delegations to Baghdad, Iraq's active participation in a number of international meetings and conferences, numerous junkets by senior Iraqi officials to Asian and African countries, the establishment of a number of new Embassies in Baghdad, and the vigorous promotion of cultural and other exchanges with a variety of countries.

3. While the new policies of "openness" are receiving vigorous support from the top levels of the regime, the working levels of the GOI bureaucracy, and particularly the powerful security services, are still operating in a manner more consistent with the previous GOI policies of international isolation and hostility to all foreigners and foreign influences. The governmental structure has not been altered to meet the demands the new policies place upon it, and the restrictive security procedures have not been changed.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760159–0123. Secret. Repeated to Amman, Athens, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Tehran, and the Department of Commerce.

4. For example, all diplomats in Baghdad, except commercial attachés, are still required to channel all of their contacts with GOI officials through the hopelessly overburdened Foreign Ministry Office of Protocol. During the Principal Officer's last call on the Foreign Ministry Director General of Political Affairs, Ibrahim al-Wali, Wali mentioned that he had just discovered that the Belgian Ambassador had asked Protocol for an appointment with him three months previously, but Protocol had neglected to inform him of the Ambassador's request. Most Ambassadors in Baghdad complain bitterly over Protocol's handling of their requests for appointments and many now seem resigned to a period of semi-retirement until their tours of duty in Baghdad are completed.

5. The Ambassadorial dissatisfactions are further aggravated by the GOI's requirement that all diplomats obtain permission for any travel outside of Baghdad. While these permissions seem to be given freely, at least for visits to Iraq's numerous archaeological and tourist attractions, the procedure requires an application two weeks in advance, and the reply seldom comes earlier than one day before the planned travel. All too frequently, there are bureaucratic delays and the reply is received one day after the planned departure date, thus invalidating the permission.

6. The security services have also continued their previous policies of brutal harassment of Iraqi citizens who have contacts with foreigners, even when such contacts are made for legitimate business or professional purposes. Even senior Foreign Ministry officials are hesitant at being seen too often in diplomatic residences, and most Ambassadors consider themselves fortunate if one or two Foreign Ministry officials actually appear at their receptions or dinner parties. Unlike other police states, the Iraqi security services do not seem to employ a stable of "cleared" individuals who mix with the foreign community and report on their activities. The degree of distrust and suspicion among Iraqis seems to be so great that the security services do not trust their own agents to play this role. The fear of contact with foreigners extends into GOI offices where most functionaries find it safer to avoid contact with foreigners and consider it expedient to pass any decisions concerning foreigners to their superiors.

7. Even Embassies from countries considered to have excellent relations with Iraq are experiencing lengthy and frustrating delays in obtaining visas for official personnel. Delays of six weeks or longer are now routine as the volume of visa requests increases along with the accumulations of paper in the in-boxes of security officials. Approvals for trade missions and working level governmental delegations are also taking more and more time and several Embassies have had to cancel official delegations at the last minute for lack of official GOI sanction

even though the planned visits had been originated by informal requests from the GOI.

8. As the conflicts between the new “openness” policies and the concerns of the security agencies become more acute, the internal divisions within the regime may also become more and more severe. Although the RCC now clearly supports “openness” and the requirements of economic development will probably force a long-term trend in that direction, the security services are not without some potent cards to play on their own behalf. The regime still feels itself threatened, particularly from the military, and the men in positions of power are heavily dependent on the security services for their political and personal survival. The security services are not constrained by law or tradition and have arbitrary and almost unlimited control over the lives of ordinary Iraqis. Even members of the RCC are no doubt heedful of the fact that the last coup attempt in 1973 was launched by the then Director of Intelligence and failed by a narrow margin.

9. Baathi ideology requires that foreigners, particularly Westerners, be cast in role of the “imperialist” devil as a mechanism for the achievement of national unity; and the security agencies, in the minds of the Baathi faithful, are the shock troops of Iraq’s struggle for unity, freedom, and socialism. Even if the security agencies are forced to retreat under the pressure of the secular trends towards “openness” and commercial ties with the West, it seems likely that they will fight a bitter rear guard action and from time to time Iraq’s blooming flowers may well be scythed by brutal security apparachnics.

10. In the meantime, foreign governments and business concerns will continue to experience costly and frustrating delays in doing business with the GOI while even minor decisions concerning foreigners are pushed up the administrative ladder to senior levels for resolution of the conflicting interests of the various components within the government.

11. This state of affairs does not indicate that U.S. firms should stop bidding on projects in Iraq. Nor does it indicate that the USG should stop conducting business with the GOI or supporting U.S. commercial interests in Iraq. U.S. firms have usually found that their problems with the GOI diminish as their operations in Iraq become routine and as precedents become established in the minds of their GOI counterparts. USINT, in its official contacts with the GOI, is treated no worse, and in many cases better, than the Embassies in Baghdad and there are a group of well educated and intelligent (although frequently frustrated) officials in all of the GOI Ministries and organizations with which USINT has so far had contact. What it does indicate is that progress, official or commercial, will be slow and that apparently needless and time-consuming obstacles will be encountered resulting in last minute

cancellations and costly delays. Most Westerners will not be prepared for the operational environment in Iraq, but with proper advance planning that gives adequate weight to the peculiarities of the local scene, it will still be possible for the USG, as well as private American firms, to take advantage of the longer term political and economic trends now underway.

Wiley

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**308. Action Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, April 27, 1976.

Barzani's Request to Visit the United States for Medical Treatment

*The Problem*

Mullah Mustapha Barzani, the Kurdish leader who is currently living in Iran, wishes to come to the United States to visit the Mayo Clinic for further medical treatment. It is possible that once here he will wish to remain and have his family join him. We have to decide whether to issue him a visa.

*Background*

Mohammad Dosky, Executive Director of the Kurdish-American Society, has informed us that Barzani, accompanied by three supporters, wishes to visit the Mayo Clinic for medical treatment. Last fall Barzani was brought quietly to the United States [*less than 1 line not declassified*] for hospitalization at the Mayo Clinic. He reportedly has lung cancer and is undergoing chemotherapy; last fall he was given six to nine months to live by his doctors. [*less than 1 line not declassified*] he has improved and we understand he now needs further treatment.

*Discussion*

Dosky has affirmed that neither Barzani nor his traveling companions will engage in any political activity and that Barzani in no way

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840041–1808. Secret; Exdis. Drafted by Naas and concurred in by J. M. Wilson (D/HA), L. Laurence (SCA), and Saunders. Sent through Sisco.

wishes to jeopardize the UNHCR refugee program for up to 1,400 Kurds (approximately 400 to 500 to the United States) nor affect the conditions of his family and other Kurds who are now in Iran. We believe there is a fair likelihood that Barzani will adhere to these restrictions, but realistically we have to face the possibility of political activity or a request for permanent residence for himself and his extended family (fifty persons) in the United States. (If he did in fact wish to settle here, we could recommend that he apply to the UNHCR for “mandated status” which would permit him to enter as a refugee. This route would perhaps raise fewer problems than granting him political asylum.)

Whether Barzani is or is not politically active, his presence could revive domestic press and Congressional interest in the Pike Committee investigation<sup>2</sup> and in our 1972–75 policy of covertly assisting the Kurds. We could expect the Iraqis to be very irritated, particularly if Barzani remained in the United States, and this could cause a setback to the present slight forward movement in our relations. The Iraqis have already protested here and in Baghdad our willingness to receive UN mandated Kurdish refugees from Iran.<sup>3</sup> We do not know what the Iranian attitude would be, or whether an exit visa would be granted to Barzani or subsequently to his family members (see attached, the views of Ambassador Helms)<sup>4</sup> but do not believe the Government of Iran would wish to receive critical world press reaction if Barzani’s trip were blocked.

There are no clear advantages in having Barzani come here. However, if we denied him a visa, we could expect Dosky to go public and to various Congressmen. Senators Jackson and Kennedy and George Meany of the AFL–CIO have previously indicated strong interest in Barzani and we could anticipate severe criticism from various groups and the press for our failure to recognize the overriding humanitarian aspects of the visit—or his subsequent desire to remain here.

We understand that the DCI believes the visit is not in the U.S. interest but can put up with it. C.I.A. does not wish to be involved in any way in the visit or arrangements.

There are only two real options: give a visa or refuse it. We could attempt to delay issuance but Dosky would not permit us to get away with it for long.

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<sup>2</sup> See Document 301.

<sup>3</sup> According to telegram 93324 to Baghdad, April 16, the Iraqi Government protested in both Washington and Baghdad the U.S. issuance of visas to Kurdish refugees. (National Archives, RG 59, Central Foreign Policy Files, D760220–0428)

<sup>4</sup> A copy of telegram 3766 from Tehran, April 14, is attached but not printed. Helms expressed uncertainty about the likely Iranian attitude to the medical treatment of Barzani in the United States.

*Recommendation:*

On balance, NEA and D/HA believe the visa should be granted.<sup>5</sup>

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<sup>5</sup> There is no indication on the memorandum of Kissinger's approval, but telegram 107340 to Tehran, May 3, authorized the Embassy to issue the visa to Barzani. (National Archives, RG 59, Central Foreign Policy Files, D760170–0044)

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**309. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, May 11, 1976, 0736Z.

616. Subject: Iraqi Jews. Ref: (A) State 078285, (B) 75 Baghdad 1225, (C) 75 Baghdad 437.<sup>2</sup>

1. The RCC decree of November 26, 1975 permits those Iraqi Jews who emigrated after 1948 to return to Baghdad and enjoy the rights of Iraqi citizenship. This GOI attempt to assume a humanitarian mantle and distinguish Jews from Zionists has neither created a flood of Jewish returnees nor alleviated the discrimination leveled against the five hundred Jews in Baghdad.

2. While the Baghdad press has reported the return of a few Jewish families, including the recent arrival of the Yousif Saheh Nawi family from Israel, the acting head of the Jewish community has privately denied earlier press reports that Jews returned to Baghdad immediately after the issuance of the RCC decree of November 26. On the other hand, we believe that Iraqi Jews who wish to leave can usually procure the necessary travel documents and exit permits.

3. In December 1975, the Canadian First Secretary (protect), on the pretext of obtaining a birth certificate for a Jewish Canadian, discussed the Baghdad Jewish community with Rouben Naji Elias, acting leader of the community. He was informed that five hundred, rpt five hun-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760181–0312. Secret.

<sup>2</sup> Telegram 78285 was not found. Telegram 1225 from Baghdad, December 2, 1975, described the policies of the Iraqi Government regarding Iraqi Jews and Zionism. (Ibid., Central Foreign Policy Files, D750417–0808) In telegram 437 from Baghdad, April 18, 1975, the Interests Section responded to a Department query regarding an alleged recent arrest of Iraqi Jews, noting that since the arrests of 1972–1973, Iraqi Jews who wished to leave had been granted exit permits and not more than 200 remained in Iraq. (Ibid., D750139–0107)

dred Jews, confined to Baghdad, remain in Iraq. This remnant of the Iraqi Jewish community largely consists of individuals who chose to remain behind in the hopes of protecting the family wealth. Since the Iraqis have prohibited any and all sales by Jews, subterranean attempts to convert assets into a more liquid form must rely on illegal joint enterprises, particularly with Christians.

4. Although the Jewish Community Center in the souq is allowed to remain open, the Iraqi Government has restricted Jewish cultural expression. The community does not have a rabbi. Jewish children have been required to attend Iraqi schools since the nationalization of the last Jewish secondary school in late 1973.

5. Rouben Naji Elias declined to discuss individual cases of persecution, either by Baath Party thugs or the Iraqi security apparatus.

6. *Comment:* The GOI has made a major propaganda effort to distinguish Jews per se from Zionists, but they have apparently been unsuccessful in their efforts to attract any significant number of Jews of Iraqi origin to return to Iraq. While the conditions of life in the Jewish community in Baghdad are still rather grim, we suspect that there may have been some improvement as the GOI attempts to persuade the world that it does not discriminate against Jews per se and that it wants Iraqi Jews to return. Nevertheless, we have the impression that most Iraqi Jews remaining in Baghdad would leave if they had any satisfactory way of disposing of their property.

**Wiley**



**310. Telegram From the Department of State to the Embassies in the United Kingdom and Iran and the Interests Section in Baghdad<sup>1</sup>**

Washington, June 30, 1976, 2127Z.

162819. Exdis London for Amb Helms from Habib. Subject: New Development in Barzani Visit.

1. [*less than 1 line not declassified*] following several feelers, Barzani has now made formal request for a meeting with State Department officials.<sup>2</sup> Request did not include names of specific persons in the Department, nor did it indicate reason for talk. Impression [*less than 1 line not declassified*] is that Barzani has now decided he wants to stay in the U.S. and that this would be subject of any discussions with Department. Meanwhile, SAVAK escort has instructions to return Barzani to Iran within a month.

2. We understand that there has been a total remission of original cancer and no evidence of second tumor. Barzani should be through at Mayo Clinic by Monday, June 28, following examination there of son Sahad, who is reportedly suffering from extreme overweight. [*less than 1 line not declassified*] plans to escort party for approximately one week's sightseeing.

3. Having a State Department official meet with Barzani presents obvious problems with respect to relations with Iraq and, to some extent, with Iran, although these may be ameliorated if the contact is not at too senior a level. Against these factors we must weigh the fact of previous meeting (Sisco last fall)<sup>3</sup> and possible public and Congressional perceptions (e.g., Barzani may already have made his presence in the U.S. known to such earlier contacts as Senator Kennedy, Justice Douglas, and George Meany). On balance, therefore, we have tentatively concluded that an unpublicized, discreet, appropriate-level contact within NEA would be logical and reasonable.

4. Whether to allow Barzani to remain in the U.S., if that is in fact his desire, presents a more sensitive question. In the U.S., he would undoubtedly be involved, directly or indirectly, in propaganda activities—particularly against Iraq—which could complicate our relations

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760253–1106. Secret; Immediate; Stadis. Drafted in NEA/ARN, cleared by Atherton and Saunders, and approved by Habib.

<sup>2</sup> According to a June 29 memorandum from Atherton to Habib, Barzani requested a meeting with Department officials after his arrival in the United States for medical treatment. (Ibid., P830162–0935)

<sup>3</sup> See footnote 4, Document 301.

with both Iraq and Iran. Iraq, which has already formally protested Kurdish refugee emigration to the U.S. from Iran, would certainly find even more objectionable our providing a haven for Barzani. Anti-Iraqi activities by Barzani in the U.S. could also be embarrassing to the Iranians in their rapprochement efforts with the Iraqis. At the same time, refusing to let Barzani remain in the U.S. could produce criticism in the press and on the Hill.

5. If Barzani meets with Department official and raises this question, we plan to discourage him from remaining in the U.S., although there may be a problem if he, for example, decided to apply formally to stay and made the fact public. We will plan to keep the Iranians closely informed of the developing situation and seek their views. We would plan to take no initiative in informing Iraqis of the situation.

6. Embassy London: Please inform Ambassador Helms of foregoing and seek his views.

7. Tehran for Chargé Miklos, Baghdad for Wiley: Would also appreciate your views and suggestions but, of course, without going to host government officials at this time.<sup>4</sup>

**Kissinger**

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<sup>4</sup> The Interests Section responded in telegram 903 from Baghdad, July 4, that a Barzani visit to the Department at the Country Director level was unlikely to disturb U.S.-Iraqi relations. If Barzani were to remain in the United States permanently, however, the Iraqis could react strongly, given their suspicions of U.S.-Syrian collaboration in aid to Kurdish dissident activity in Iraq. (National Archives, RG 59, Central Foreign Policy Files, D760259–0242) The Embassy in Tehran replied in telegram 7489, July 23, that the Iranian Government had been informed of Barazani's request, but had not yet responded. (Ibid., D760283–1137)

### 311. Telegram From the Embassy in Iran to the Department of State and the Mission to the European Office of the United Nations in Geneva<sup>1</sup>

Tehran, July 6, 1976, 1210Z.

6827. Subj: Treatment of Iraqi Kurdish Refugees. Ref: A. State 161654, B. Geneva 5181.<sup>2</sup>

1. In various telegrams sent last year (75 Tehran 2684, 3771, 8585, 8953, 10236, 10984)<sup>3</sup> we commented in some detail about the return of Iraqi Kurdish refugees to Iraq. We and AmConsul Tabriz reported allegations of mistreatment of returning Kurds, identifying these as coming from admittedly biased Kurdish sources. Question of forceable repatriation to Iraq was always moot. Iranian officials did not resort to physical force to cause refugees to return to Iraq, but they did encourage them to do so on grounds that their future in Iran was somewhat bleak. As for specific allegations of executions, facts have not been established. Mr Goodyear of UNHCR has attempted to verify cases of forced repatriation and of persecution of refugees returning to Iraq to no avail, although he freely admits that Iraqi Kurds appear to have been prevented from returning to the areas in Iraq where they previously lived.

2. Since the wholesale return of Kurdish refugees to Iraq, Iran has cooperated in movement of 314 refugees to US and 312 more to other countries under UNHCR auspices. Because of this cooperation, and because we see no benefit from a rehashing of Iran's treatment of the

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760260–0807. Limited Official Use. Repeated to Baghdad.

<sup>2</sup> Telegram 161654 to Tehran, June 29, inquired about reports of executions of Kurdish refugees repatriated to Iraq. (Ibid., D760252–1184) Telegram 5181 from Geneva was not found. However, a subsequent telegram, 5525 from Geneva, July 13, presented the results of a Mission officer's meeting with UNHCR officials about the alleged refoulement and executions of Kurdish refugees in Iraq, reporting that sources indicated that massive forced repatriation from Iran to Iraq did not occur, and that the Kurds arrested and executed had likely been those who never left Iraq. The UNHCR acknowledged, however, that it was unable to conduct a thorough investigation since it lacked representation in Iraq. (Ibid., D760270–0059)

<sup>3</sup> Telegram 2684 from Tehran is Document 283. In telegram 3771 from Tehran, April 23, 1975, the Embassy recommended that the Department ask INS for a conditional entry program into the United States for the few eligible Kurdish refugees. (National Archives, RG 59, Central Foreign Policy Files, D750142–0939) For telegrams 8585 and 10236, see footnote 3, Document 300. In telegram 8953 from Tehran, September 11, 1975, the Embassy reported further on the planned repatriation of Kurdish refugees. (National Archives, RG 59, Central Foreign Policy Files, D750314–1029) In telegram 10984 from Tehran, November 11, 1975, the Embassy reported on its meeting with a UNHCR representative, who noted that Kurdish refugees were being officially encouraged to return to Iraq or agree to be dispersed in small groups within Iran. (Ibid., D750391–1103)

Kurdish refugees, we do not plan to consult GOI now in response to reftel A, unless Dept so requests.

**Helms**

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### **312. Editorial Note**

According to a report, [*cable number not declassified*], during the first week of July 1976, armed Kurdish forces attacked two Iraqi military camps in the Sarsank and Jabal Sinjar regions. About 100 Iraqis and 30 Kurds were killed. Sixteen Kurds were executed in Baghdad.

The report also noted that Vice Chairman of the Revolutionary Command Council Saddam Hussein made an inspection trip to the al-Hakam region and warned officials and citizens about the serious consequences of cooperating with sabotage activities against the Iraqi Government.

Lastly, the report detailed a Baghdad news story about a tour by Saddam Hussein of the northern area of Iraq July 5–8. He was accompanied by several Ministers, RCC members, the Chief of Staff of the Iraqi Army, and the Commander of the First Army Corps. On July 8, while addressing Iraqi forces in the vicinity of Ninawah, he announced that the Iraqi leadership had studied the general Arab situation and had decided to form an Algerian-Libyan-Palestinian-Iraqi front. He gave no details on how the proposed front would be created. (Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 7, Iraq (1))

**313. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, July 13, 1976, 1230Z.

954. Subj: Iraqi Regime Frustrated by Course of Events.

1. Rumors of Kurdish insurgency in the north continue to circulate in Baghdad. Fact that Saddam Hussein spent four days, July 6 to 9, travelling in north is indication of GOI concern.<sup>2</sup> Since Iraqi regime is continuing its strident calls for overthrow of Syrian regime, it would seem plausible that SARG is returning the compliment by supporting subversion by dissident Kurds in northern Iraq.

2. We would also not rule out possibility of low key Iranian support for Kurdish dissidents as a counter to Iraqi troop buildup on Syrian border.<sup>3</sup> On the surface, however, Iraqi-Iranian détente still appears to be on the tracks, although Iraqis are sharply limiting the number of Iranian pilgrims allowed to enter Iraq.

3. Lebanese situation remains major preoccupation of Iraqi press. Coverage of Syrian role in Lebanon is near-hysterical as GOI does its best to stir up internal problems for Syrian regime. For example, July 12 papers carried stories of Syrian atrocities in Lebanon, mutinies in several Syrian Army units, resignations of Syrian Army officers, bomb blasts in Damascus, protests sweeping Syria, and wild celebrations in western Beirut following rumors of a coup in Damascus.

4. *Comment:* Iraqi regime apparently expressing its frustration over Christian military successes in Lebanon and refusal of Syrian regime to collapse under pressure of Lebanese involvement. Iraqi efforts to create an actual "rejection front" with Libya, Algeria, and the Palestinians have stalled and troop movement ploy probably ran its course as Iraqi units on Syrian border bake in desert sun. Apart from stepped up efforts to subvert Syrian regime internally, which runs risk of encouraging corresponding acts by Syrians in northern Iraq, it is difficult to see what Iraqi regime could do to reverse the course of events. We ex-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760038–0449. Confidential. Repeated to Amman, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Moscow, Tehran, Tel Aviv, and Tripoli.

<sup>2</sup> See Document 312.

<sup>3</sup> In telegram 7194 from Tehran, July 15, the Embassy reported that it had no evidence that Iran was supporting Kurdish dissidents in Iraq and could not imagine that the Shah would go to such lengths to help the Syrians. (National Archives, RG 59, Central Foreign Policy Files, D760272–0839) The Interests Section noted in telegram 1026 from Baghdad, July 27, that a decision to resume aid to the Kurds might occur not on the basis of bilateral Iranian-Syrian relations but from a desire to limit Iraqi influence over Syria or other countries in the region. (Ibid., D760288–0979)

pect Iraqi frustrations will continue to mount barring some unexpected developments.

Wiley

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**314. Telegram From the Embassy in Iran to the Department of State<sup>1</sup>**

Tehran, August 3, 1976, 1300Z.

7872. Subject: Iraqi Offer of Amnesty to Kurds. Ref: Baghdad 0954.<sup>2</sup>

*Summary:* Iraqi delegation offers amnesty to remaining Kurds in Iran. Barzani group is about to recommend its acceptance and to encourage Kurds' return to Iraq. *End summary.*

1. Kurdish liaison officer called on EmbOff August 3 to inform USG three Iraqi members of recent visiting diplomatic mission met July 31 with 10 Kurdish representatives through good offices of the Iranian Interior Ministry. Kurdish representatives were led by Abdul Wahab Atrushi (former Kurdish Democratic Party (KDP) military bureau head and Governor of Arbil, 1970–74). Iraqis were: Sadoun Mosleh al-Tikriti, Iraqi Secretary of the Committee for Northern (Kurdish) Affairs; Col Mohsen Khalil, formerly security chief of Arbil; and Abdul Samad Hamid, Liaison officer between the Revolutionary Command Council (RCC) and foreign governments. Also present was Salah Samarmad, Cultural Attaché of the Iraqi Embassy.

2. Purpose of meeting was Iraqi delegation presentation of Revolutionary Command Council offer of amnesty for "all past happenings." Iraqi delegation had wanted to visit and make pitch to various groups of Kurds by helicopter, but had apparently been denied permission by Iranians, who then arranged meeting and withdrew.

3. RCC amnesty offer would not repeat not be publicly announced and would include all Kurds presently in Iran except General Barzani; his sons, Idris and Masoud; and a nephew, Mohammad Khalid. Kurdish refugees in Iran would be taken back into original Kurdish areas of autonomy—Arbil, Suleimaineh, and Duhok. Residents of one area may be returned to another area, but all would return to the north

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760299–0185. Secret; Limdis. Repeated to Ankara, Baghdad, Damascus, and London.

<sup>2</sup> Document 313.

rather than be relocated in southern Iraq. Individuals would be given their old jobs back except for military personnel, who would be relocated in civilian employment. Anyone not accepting this amnesty within the deadline (not yet specified, but probably between 30 and 60 days) would have their Iraqi citizenship withdrawn.

4. Kurdish delegation asked why Barzani and his family were to be excluded. Iraqis replied Barzanis not welcome in Iraq because “something might happen” and in any event, they doubted Barzani would want to return. Kurds also asked about relocation of Kurds within Iraq from north to south and were assured this had been stopped. This confirmed what Kurds had learned from their own sources. The Iraqi delegation also said that if the relocation of Kurds now in Iran goes well, those in southern Iraq might be given a chance to return to their homes in the north.

5. Kurdish source told EmbOff political leadership of Kurdish community here had been considering the matter and had virtually decided to recommend acceptance of amnesty. Factors cited were: 1) failure of Iranian Government to live up to promises regarding relocation, 2) increasing SAVAK arrests without charge of lower level Kurds and other indications of Iranian pressure, and 3) general feeling that by far the majority of Kurds would be better off in Iraq than in Iran under currently prevailing conditions.

6. Final decision will await Barzani return from the US and Kurdish liaison officer asked if we knew when this would be, saying Iranian contacts had told him Barzani would be back “soon.” EmbOff replied this accorded with our information, but we had no specific details. Kurdish contact said Iranians have not formally swung their support behind amnesty offer but pressure was beginning.

7. Kurds know some recent arrests without charge have been followed by SAVAK requests that Kurds who were picked up cooperate with SAVAK in obtaining information on Iraq, both now and in the future. Only reason SAVAK has given KDP leaders for picking up Kurds has been that those arrested had been seen visiting foreign Embassies. Kurds believe Iranians concerned about their own security as well as opportunities for penetration of Iraq if full amnesty takes place.

8. Kurdish liaison officer indicated he was leaving in three days for London for an unspecified period to assist in reorganization of the Kurdish Democratic Party abroad. Gave name of new contact who will be in touch with Embassy. Urging information be kept very confidential, he said KDP leadership has been approached by Syrians who appear to have tired of trying to deal with Talabani group. He added there were sizeable numbers of KDP supporters in Syria, Jordan and Turkey, and although these were not involved in active fighting now, decision had been made to reorganize the party, both in those countries

and in Europe, to take advantage of future opportunities. Major aim of reorganization is creation of new political bureau with younger, more active leadership at all levels. Reorganization is already going on within Iraq and among Kurds here. While General Barzani will remain KDP leader, many want younger, fresher blood in other top positions.

Helms

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**315. Briefing Memorandum From the Assistant Secretary of State for Near Eastern and South Asian Affairs (Atherton) to Secretary of State Kissinger<sup>1</sup>**

Washington, August 5, 1976.

Barzani's Wish to Remain in the United States

*Problem*

The Shah may raise with you the question of Kurdish leader Barzani's efforts to remain in the United States permanently.<sup>2</sup>

*Background*

Barzani, accompanied by two of his sons, a personal doctor, a political adviser, Savak [*less than 1 line not declassified*] has been in the United States since late June. We and the Iranian Government approved this travel so that he could undertake medical and dental examinations and treatment at the Mayo Clinic, where he had previously been treated.

The Mayo Clinic determined that Barzani has had a remission of the cancer from which he had been suffering; his tumor had shrunk significantly. He is in reasonably good health. The Mayo Clinic can do no more for him for the present; the Clinic's only requirement is that further x-rays be taken in late September and these could be done in Iran.

In meetings with the NEA/ARN Country Director on July 9–10, Barzani indicated that he would like to remain in the United States for seven or eight months. He finally appeared to accept our advice, however, that he return to Iran fairly promptly, on the basis of the under-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, P840071–0027. Secret; Exdis. Drafted by Morris Draper (NEA/ARN) on August 3.

<sup>2</sup> Kissinger visited Tehran August 6–7. See Documents 181–183.



standing worked out between the U.S. and Iranian Governments that his visit would be for medical purposes exclusively. After further consultation with you, we agreed to his request that he come to Washington so that he could call on certain Americans who had been sympathetic to him and his cause in the past. You also indicated that, if he wanted to remain for a few weeks in the U.S., he should not be pressed to leave.

During his stay in Washington, Barzani has been in touch with George Meany, Senators Jackson and Stone, Congressman Wilson, Ray Klein, and probably Barny Blackman of Jimmie Carter's campaign staff.<sup>3</sup> He has, however, refused to meet with journalists; the stories that have been written about his stay here have been drawn from other sources.

During the past week, Barzani has indicated he would like to remain in the U.S. permanently. He and his entourage communicated his wishes to stay through a General Hashim to the Savak Chief, General Nassiri. Nassiri in a message to Barzani on August 1 asked him to return to Iran within one week and told him, "If you do not do so, you cannot expect any more help from me for yourself or your relatives." Barzani replied that he intended to stay in America until after his medical treatment was finished.

On the evening of August 2, the NEA/ARN Country Director had a long meeting with Barzani. Barzani confirmed that he wished to stay in the U.S. permanently, arguing that he would never be allowed to leave Iran once he returned there. He said frankly he hoped, by remaining here, to persuade the United States to use its influence in appropriate ways—with Iraq and through such intermediaries as Iran and Saudi Arabia—to help the Kurdish people in Iraq. Barzani told the Country Director that he had been informed that General Nassiri was going to talk to the Shah on Thursday, August 5, about his case and that he expected a message from General Nassiri shortly thereafter, possibly as early as Friday, August 6. (Ambassador Helms [*less than 1 line not declassified*] confirmed in a message [*less than 1 line not declassified*] that Nassiri will indeed meet with the Shah on the Barzani matter on the fifth, and pointed out that the Shah may bring the matter up with you.)

The NEA/ARN Country Director stressed in his August 2 meeting how important it was that Barzani maintain a good relationship with the Iranian authorities, pointing out that there remained in Iran nearly 40,000 Kurdish refugees. Barzani, who is clearly stalling for time, finally said that if he could be allowed to stay in the U.S. for a final

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<sup>3</sup> Senator Richard B. Stone (D-Florida), Congressman Charlie Wilson (D-Texas), and philanthropist Raymond Klein. Georgia Governor Jimmy Carter was the Democratic Party nominee for President.

check-up and x-ray examination at the Mayo Clinic on or about September 20, he would at that time accept USG advice as to whether he should return to Iran or remain, as he wished, in the U.S.

*Basic Considerations*

—Although there may be some in the Iranian Government who would prefer to have Barzani out of the Iranian hair, we suspect that the Shah would prefer him to remain in Iran where his activities could be carefully controlled, and where he would not compromise the warming Iranian-Iraqi relationship. Outside Iran, Barzani could quite easily undertake a propaganda campaign critical of Iran as well as Iraq.

—While Barzani may not be aware of our existing laws and policies, a formal request by him for political asylum in the United States would be difficult to deny, at least on legal grounds. If a person seeking asylum can establish clearly that he has every reason to expect persecution if he returns to his native country, there is a *prima facie* case for granting asylum.

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**316. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, August 30, 1976, 1205Z.

1233. Subj: Barzani's Presence in USA. Ref: State 209897.<sup>2</sup>

1. My guess is that GOI regards Barzani as a spent force and incapable of inspiring or leading a future rebellion. Exception would be almost unthinkable situation in which Iran and Iraq were at war and Shah elected to use and support Barzani once again to tie down portion of Iraqi Army.

2. GOI does not particularly care where Barzani is, so long as his hosts are not giving him effective encouragement to make mischief in Iraq.

3. Without foreign support Barzani cannot be more than a minor irritant to GOI. He might, however, make trouble not for GOI but for

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760329–0428. Secret; Immediate; Exdis.

<sup>2</sup> Telegram 209897 to Tehran and Baghdad, August 24, informed the posts that the Iranian authorities no longer insisted that Barzani return promptly to Tehran and that he clearly intended to stay in the United States for a while. The telegram requested input from Tehran and Baghdad on local attitudes toward the issue. (Ibid., D760323–0463)

USG—and not so much now as later, especially after resumption of diplomatic relations—or possibly during any future talks leading to resumed relations, were Barzani to get wind of them. It is not difficult to imagine him lobbying on the Hill or with his numerous sympathetic contacts in the press for some sort of concessions for the Kurds as a price for resumed relations, or for a long-term U.S.–Iraq oil bilateral or a civil aviation agreement or arms sales or whatever else might come up.

4. It is important to remember that (A) GOI regards its Kurdish policy as nobody's business but GOI's, and (B) the autonomy package that GOI offered and Barzani turned down was not, on face of it, an inhumane proposal. The two toughest features of the package: Kurds have to learn Arabic as a second language and Kirkuk oil belongs to the nation, not to the autonomous region. Would any Government of Iraq demand less? Prior to Barzani's rebellion, there was no rpt no evidence that GOI planned to force large numbers of Kurds to move into Mesopotamian lowlands.

5. Seems prudent to resign ourselves to probability that if Barzani ever decides he does not want to leave States, we will not make him, for he could marshal too much sympathetic and influential opinion in his favor to make the effort sustainable. To this future, therefore, USG should be prepared to reconcile itself. If this is case, it is realistic to concentrate on what limitations, if any, USG can expect Barzani to accept on his political activities in USA. If he could be persuaded to keep quiet on Kurdistan or even seek reconciliation with GOI, we might be able to trade that with GOI for change in latter's stance on matter of no little interest to U.S.—Puerto Rico (e.g. in Non-Aligned Movement, at forthcoming UN General Assembly and elsewhere).

6. With an eye to longer term U.S.–Iraq relations, I recommend that someone take close look at the June 7, 1934 U.S.–Iraq extradition treaty (USINT does not have a copy). If it is still in force or if it would come back into force with resumed relations, what would happen if GOI tried to invoke treaty to return Barzani to Iraq for trial?<sup>3</sup>

**Killough**

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<sup>3</sup> In telegram 8852 from Tehran, September 1, the Embassy observed that Iran basically hoped to get Barzani back as quickly and quietly as possible and was "edgy" about his intentions. The Embassy noted, however, that if the Kurds accepted the Iraqi amnesty offer, this would help to defuse the Barzani problem. (Ibid., D760331–1348)

**317. Research Study Prepared in the Central Intelligence Agency<sup>1</sup>**

PR 76 100701

Washington, November 1976.

**IRAQ UNDER BAATH RULE, 1968–1976****Introductory Note**

In the years since the Baath Party seized power in 1968 the party leadership has consolidated its hold and established a relatively stable regime in a country long noted for its disunity, instability and high level of political violence. The position of the leadership has been enhanced by recent successes—the dramatic hike in petroleum prices in 1973, the defeat of the Kurds and the accord with Iran in 1975. These advantages have enabled the Iraqi Government to initiate new approaches to its domestic and foreign policies not feasible in the early years of its rule.

This paper focuses on these policy approaches and on the forces shaping the operating assumptions of the Baath leadership in its decision-making processes. Because of the absence of any comprehensive Agency assessment of Iraq in recent years, a discussion of the Baathist consolidation of power and the emergence of political, social and economic policies aimed at preserving internal unity and stability is presented along with an analysis of the sources of potential political conflict. The study concludes with an examination of current Iraqi foreign policy goals and their implications for US interests. The deliberate isolation of the regime plus the long break in diplomatic relations between the US and Iraq—relations were severed in 1967 and it is only since 1973 that a small US Interests Section has operated in Baghdad—imposed several limitations on this paper. Issues lacking sufficient and accurate documentation are noted in the text.

**Principal Judgments**

Iraq's image in the US in recent years has been that of a potential troublemaker in the Middle East, a traditional foe of states friendly to the US, and a violent, often turbulent country ruled by ideologues. Iraq's relations with the Soviet Union plus its considerable oil resources provide other elements of uneasiness to Western policymakers. The image is not wholly inaccurate, but the reality of Baath-ruled Iraq is changing as the regime settles in. Nonetheless, the complexity of Iraqi foreign policy and domestic politics is formidable and some aspects remain obscure.

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<sup>1</sup> Source: Central Intelligence Agency, DI/OCI Files, Job 79T0089A, Box 9, Folder 4. Secret; [handling restrictions not declassified]. Several photographs, maps, and tables are not printed.

A prime example of the complexity and reality is Iraqi-Soviet relations. While conventional wisdom has classified Iraq as a “client” of the Soviets, Iraq prefers, has followed, and will adhere to an independent, nonaligned foreign policy where possible and when advantageous. It is not likely, despite recent turnings to the West for arms and technological assistance, that Iraq will break its ties with the USSR and Eastern Europe. A recent decrease in Soviet aid and leverage will not mean a corresponding increase in American influence. There will be, instead, a continued reliance on the East as well as a probing of Western motives and opportunities. Iraq will continue to receive up-to-date weapons and military training from the Soviets as well as aid in development projects. However, Iraq will advocate Soviet foreign policy goals only where they concur with Iraqi policies and purposes.

Prospects for the renewal of diplomatic relations between Iraq and the US are not good for the near future. Although the Baath government is encouraging trade and commercial ties with American companies, it will not grant diplomatic recognition in order to gain favored-nation status or extended purchasing privileges. Lack of diplomatic recognition is not a barrier to aid and trade per se. Relations between the two will depend more on American relations with Iraq’s neighbors—Iran, Saudi Arabia, and Syria—than on Iraqi desires for US goods and services.

In Iraq’s view, the US exerts great influence on Israeli and Syrian actions. If the US were to alter its position regarding Israeli-Palestinian affairs, perhaps even recognize the PLO, then the Baath might respond and confer diplomatic recognition as a reward. However, major American concessions of this type would not guarantee Baath approval. Anti-American and anti-imperialist slogans are important and conditioned reflexes in party debates. The government may find itself restricted by rhetorical limitations.

There is little likelihood of change, then, in US-Iraqi relations, given the current regime’s perception of US policies and given American support for its allies in the region—Saudi Arabia, Iran, and Israel. Iraq remains outside the periphery of American interests in the Middle East. The prevailing Iraqi attitude towards the US—cool, slightly suspicious but not overtly hostile—is perhaps the best that can be expected, given the fundamental divergence of interests. So long as Iraq finds it advantageous to bar Soviet military use of its facilities and to cooperate in maintaining orderly relations among the several Gulf States, it contributes, albeit inadvertently, to overall US goals in the Middle East.

Iraq will seek to establish routine and legitimate relations with the states of the Arab world, the Gulf, the Middle East, and Europe. The government will seek respectability and prestige through policies which stress cooperation in Arab economic affairs. This policy is dic-

tated by a desire to end the country's isolation from the Arab world, to achieve secure oil lanes in the Gulf, and to promote a measure of regional stability and balance. Thus Arab solidarity will be advocated in the confrontation with Israel, in cooperation in Gulf security arrangements and in establishing Arab regional economic self-sufficiency. This does not mean that Iraq will adhere consistently to OPEC/OAPEC guidelines on pricing or marketing its oil. Nor will the Baath disavow support for Arab liberation and guerrilla movements.

None of the above applies to relations with Syria. Quarrels over ideology, oil transit fees, Euphrates water distribution, and primacy in the Fertile Crescent have and will continue to divide the two. Attempts to subvert the Baathist regime and Hafiz al-Asad will continue as will support for anti-Syrian groups in Lebanon. However, it is not likely the two states will go to open war.

Although Iraq is ruled by the Arab Baath Socialist Party according to party tenets of "unity, independence and socialism," in reality a more traditional and cautious set of assumptions determines the regime's policies and actions. "Iraq First," a theme which emphasizes the unity and stability of the state, the maintenance of the national self-interest, and the survival of the regime, is as valid for the current rulers, President Ahmad Hasan al-Bakr and Deputy Chairman Saddam Husayn al-Tikriti, as for previous Iraqi governments.

Unity in Iraq is symbolized by the National Front, a coalition of Baathists, Communists and Kurds, but real control is exercised by the Baath Party (BPI). Government by National Front is a fiction; the Baath leadership has no intention of sharing power or decision-making with any group or faction. There are no apparent challenges to the party or the government at this time. Potential sources of opposition exist in the military, the Communist Party (CPI), and the Kurdish and Shiah minorities.

The Government of Iraq rules with the support of the military but is not as dependent on it to maintain that power as were previous Iraqi governments or as is the Syrian Baath Party. The military is kept acquiescent through purges, enforced retirements, and constant monitoring for ideological correctness. Although there is not unanimity of support for the regime among the upper-ranking military there would seem to be satisfaction with the regime's recent success against the Kurds and with the continued supply of sophisticated Soviet arms and expertise. While solid evidence is lacking, it appears that the military is not Baath dominated but is incapable of sustaining a coup against the regime at present.

The impact of the CPI is negligible. Nominal participation in government has not resulted in a corresponding political leverage. Split internally over their participation in the National Front and cooptation

by the BPI, the Communists lack the internal cohesion and external support necessary to any confrontation with the regime. Although the Kurds and Shiah represent a numerical majority in Iraq they will remain a political minority. The Sunni Arabs, only 25 percent of the population, will continue to dominate the political system, the party machinery, the officer corps and the government bureaucracy. This pattern of domination is a reflection of traditional Iraqi politics as well as of current party loyalties—the politics of recruiting supporters and making political alliances among family, clan and village networks. And, while the number of competent professionals in the government is growing, loyalty to the party and the leadership as well as a lack of political ambition are essential to political survival.

The government is attempting to structure a “united” Iraq through the political, economic and social integration of these potential sources of opposition. The National Front now is the cosmetic political expression of that unity. The government is also using a “carrot and stick” approach—new schools and hospitals, housing, agrarian reforms, extended social benefits, construction of new factories—as well as threats of arrest and resettlement. The emphasis will remain on centralization, not regional autonomy, on the union of north and south and not on preferential development. If Kurdish dissidence re-emerges, as it probably will, or if the Shiah oppose innovative reforms, as they have in the past, then the government will opt for resettlement and repression.

The Baath Party, then, appears to be in firm control of the country and Bakr and Saddam Husayn are in firm control of the party. Policies established by them are not likely to be changed by an alteration in government or party. If the President and the Deputy are assured of political power today, it is because of their successful manipulation of the party, the government and the military as well as their ability to isolate and eliminate their opposition. Their position has been enhanced by recent successes—the establishment of civilian control over the party, the government and the military; the end of the Kurdish war; and the treaties and negotiations with the Soviet Union and Iran.

However, Bakr is ill and may be out of touch with day-to-day developments. Saddam, as Deputy Chairman of the Revolutionary Command Council and Deputy Secretary of the BPI Regional Command, is the actual center of power but the facade of joint rule prevails. It is probable that on the event of Bakr’s retirement or death, there will be an orderly transfer of power to Saddam Husayn. What is not clear is whether the loyalties Bakr holds in the military and the party are transferable. While the military may accept Saddam as a civilian ruler, they will probably not accept him as President *and* Staff General (he was elevated to this rank in January 1976) *and* Minister of Defense, a post Bakr

now holds. Saddam may have to acquire an acceptable senior military figure in order to maintain the appearance of unity and cooperation.

### Discussion

#### *I. The Setting*

"As a revolution and a regime we are unconditionally biased in favor of the toiling masses, of Socialism, of Arab unity, of the liberation of Palestine and of the Arabism of the Gulf. Therefore, who supports (us) internationally in this stand is our friend and ally and whoever stands against us and opposes our trends and legitimate rights is our foe." Saddam Husayn al-Tikriti.

The political dynamics of Iraq today are an outgrowth of its stormy history as an independent state. One of many countries whose boundaries were determined by great power rivalry and whose government was imposed by colonial arrangement, Iraq has been the scene of power struggles and political violence since the British occupation of World War I. Although Iraq attained independent status in the 1930s, first with the end of the mandate and entrance into the League of Nations, and second with the renegotiation of its oil and military agreements, Great Britain continued to exercise a right to intervene in affairs of state through the 1950s. These arrangements gave Iraq the semblance of independence and the fiction of unity under a Hashimite king and Cabinet. Coups in 1936 and 1941 introduced the military to participation in Iraqi politics, an element which would disrupt the stability of the state for the next 30 years.

The emergence of nationalist movements which were inherently anti-imperialist, anti-British and anti-monarchist had their effect in Iraq. By 1958, the bulk of politically-aware Iraqis supported neither the monarchy, the British connection, nor the government's opposition to Nasir and Arab nationalism. A military revolt of 14 July 1958 led by Abd al-Karim Qasim overthrew the Hashimite monarchy and the government of Nuri al-Said and ended the special status of British in Iraq. It marked as well the beginning of 15 years of political instability and disunity.

Under Qasim Iraq withdrew from the Baghdad Pact, recognized Communist-Bloc countries, and began to limit relations with the West. Four coups, a dozen changes in Cabinet and a civil war fought against the Kurds from 1961 through 1970 contributed to the political chaos of the period. At the same time there was a withdrawal from participation in the politics of the Arab world. In direct contrast to its first 40 years of statehood, Iraq in the 1960s became increasingly isolated from contacts with both its Arab neighbors and the non-Arab world.

The themes of disunity and instability were evident in Iraq's economic and social development as well. To be an Iraqi in the fourth



decade of independence was still to be in the first instance an Arab, Kurd or Turkman, a Sunni, Shiah or Christian. Of the country's 11 million people, 25 percent were Sunni Arab centered in Baghdad and northwest Iraq, 20 percent were Kurds living in the northeast, and 50 percent were Shiah Arabs living south of Baghdad in the middle Euphrates region.<sup>2</sup> The country remained fragmented among ethnic and religious communities having only a brief history of cooperation and a limited sense of national identity. Ethnic groups continued to live in traditional areas adhering to traditional practices. The government had done little to further industrial development, regional integration or agrarian reform. The political system remained dominated by Sunni Arab politicians through their control of access to positions of power in government and the military. Appointments to decision-making positions in the government from either the Kurdish or Shiah "minorities" were rare, despite the fact that the Shiahs provided 80 percent of the enlisted men in the military and despite the repeated threats of civil violence by the Kurds.

Baathism was a major element in the rise of Arab nationalism in Iraq. The Baath Party, founded in Syria in the 1940s, aimed at the political renaissance of the Arab nation in a unified state based on principles of economic and social justice. For Baathists the Arab revolution was to be fought against two colonialisms: foreign imperialists opposed to Arab unity and independence, and domestic enemies who exploited the nation's goods and resources. While the prospect of Arab unity may have had a limited attraction for Iraqis, the twin themes of independence and socialism had great appeal. In 1952 the Baath Party of Iraq (BPI) was founded as a regional unit of the Baath Party centered in Syria. By 1958 branches of the BPI had been established in most of the cities of Iraq.

The Baathists' first attempt to rule Iraq came in February 1963 with the overthrow of Qasim. It failed for several reasons. The party was badly organized and its leaders inexperienced. Once in power, the Baath had no real program for the transformation of Iraq, no outline for applying Baath ideology or Arab socialism to the reality of the country, and little popular support during its nine months in power. Rivalries and tensions within the party itself, between Baathists and Arab nationalists over union with Syria and Egypt, and between the BPI and the Communist Party in Iraq (CPI) occupied its energies.

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<sup>2</sup> Iraq's population is divided ethnically into 70.9 percent Arabs, 18.3 percent Kurds, 0.7 percent Assyrians, 2.4 percent Turkmen, and 7.7 percent others. Religiously, Iraq divides between the two major sects of Islam: 50 percent Shiah; 40 percent Sunni; 8 percent of the population are estimated to be Christian, 2 percent other. These are *Factbook* estimates. There has not been a recent census in Iraq and none in the past has given an ethnic and religious breakdown of the population. [Footnote in the original.]

The stage was set for counterrevolution—it came in November 1963 when Abd al-Salam Arif, a nationalist officer then in favor of union with Egypt, assumed power. While Arif was in power Iraq's foreign policy emphasized pan-Arab and pro-Egyptian themes; in domestic policy, lip-service was paid to the Islamic origins of social and political reforms. However, the factors which had shaped economic and political realities under Nuri and Qasim continued to shape the realities of Iraq for five years under Abd al-Salam and his brother Abd al-Rahman Arif (he succeeded Abd al-Salam in 1966). Arab unity remained a theory, nationalization a slogan. Iraq in the 1960s was no closer to solving its problems of political instability and disunity than Iraq in the 1950s.

Provincial jealousies in relations with the Syrian Baath Party (BPS) and distrust over Syria's attitude of intellectual trusteeship for Iraqi Baathists continued to divide the Iraqi Baathists from their natural allies in Syria. In 1966 Michel Aflaq, founder of Baathism in Syria and titular head of the party, and several Iraqis were expelled from the Baath Party National Command, then centered in Damascus. The dispute was factional, not ideological, although all debate since this split has emphasized the purity and correctness of Iraqi Baathism in contrast to the Syrian version. After the 1966 split the Iraqis reorganized the party in Iraq, establishing both a regional and a national (pan-Arab) command and offering shelter to leaders ousted by Syrian intraparty coups.<sup>3</sup> The BPI and the BPS have maintained mutually hostile and exclusive structures since 1966.

## *II. The Political Transformation*

There were two coups in the summer of 1968. On 17 July a coalition of Baathists and nationalists in the military led by Ahmad Hasan al-Bakr and Major Abd al-Razzaq al-Naif overthrew the Arif government. A national front government was established with no one faction in apparent control. Bakr, a Baathist who had been Prime Minister in the 1963 Baath government, became President of the Republic and Naif Prime Minister. Of the 26 men appointed to the government only seven were Baathists.

This "cooperation" was short-lived. Two weeks later the Baath seized power directly in a second coup which eliminated Naif and the nationalists. His exile, and the murder of his Foreign Minister Nasir

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<sup>3</sup> In Baath organizational structure, national connotes the pan-Arab world and regional connotes a specific country. The BPI National Command, composed of Iraqi and non-Iraqi Baathists, handles inter-Arab affairs; the Regional Command is the most powerful organ of the party in the country, its members "elected" by a regional congress with candidates usually selected or encouraged by the party leadership. [Footnote in the original.]

al-Hani, marked the end to a policy of seeking restoration of relations with the East, the West and moderate Arab countries, and deepened Iraq's isolation. The BPI now clearly dominated the government through the Revolutionary Command Council (RCC) whose members were Bakr and four generals, all Baathists: Hardan al-Tikriti, Salih Mahdi Ammash, Sadun Ghaydan al-Ani, and Hammad Shihab. Bakr became Prime Minister as well as President of the Republic and Commander-in-Chief of the Armed Forces; Hardan al-Tikriti and Ammash were appointed Deputy Prime Ministers. Baathists were given control of key ministerial posts, including foreign ministry, interior, education, health, labor and social affairs, culture and information. For the next several years, the BPI would move to consolidate its power while maintaining control of a "progressive" Iraq attuned to Baath principles of unity, independence and socialism.

*A. The Party in Power, 1968–1973*

The important thing is not to assume the power but to keep it. . . . Taking over the power is a simple operation that can be executed by a group of adventurers and military coup amateurs at the right time. But interaction with the masses, expressing their interests and aspirations, can only be carried out by ideological revolutionaries. . . . The Arab Socialist Baath Party, Iraqi Region, "Wa'i al-Taliah" ("Awareness of the Vanguard"), September 1968.

Although the BPI contained both a military and a civilian faction at the time of the July coups, the military dominated the politics of the party and the state. From 1968 through 1973 the energies and ambitions of these two factions were absorbed in intraparty conflicts and power plays, conflicts which disrupted Iraq's search for stability and development. A series of purges beginning in 1969 altered the position of the military in both the government and the party and projected the civilian faction and a new leader, Saddam Husayn al-Tikriti, to power. First to be accused of plotting against the new regime were those in favor of pan-Arab union; this was followed in January 1969 by a purge of top military commanders. One month later a major spy network allegedly headed by high-ranking military and government officials was uncovered—the government claimed it was being encircled by a conspiracy of the CIA, Zionism, the Shah of Iran, and the Barzani Kurds.

In the next four years Bakr and Saddam Husayn were able to isolate and eliminate their rivals for power and consolidate their control over the party and the government. In November 1969 the power base of the government was shifted considerably with the addition of 10 civilian members of the party's Regional and National Commands to the RCC. The shift, engineered by Saddam Husayn and Salih Mahdi Ammash, then Interior Minister, limited the influence of the military in the politics of the Republic and broadened the base of support for the gov-

ernment among party members. Saddam Husayn, already Deputy Secretary of the BPI Regional Command, was appointed Deputy Chairman of the RCC; he could now assume Bakr's duties and powers in the event of the President's absence or incapacity—a powerful position for the head of the party's civilian faction. Bakr and Saddam next took advantage of the rivalry between Hardan al-Tikriti and Ammash, both members of the RCC and both Cabinet Ministers holding powerful positions, to remove their two strongest opponents. In April 1970 Hardan and Ammash were sworn in as Vice Presidents of Iraq. Six months later Hardan was dismissed from office and exiled; a year later he was assassinated in Kuwait. Ammash survived politically until 1971 when he was removed from all positions in the government and the party and appointed Ambassador to the Soviet Union.<sup>4</sup>

Purges in the armed forces, the party and the government continued. They were explained by the leadership as necessary in order to unite the country, to strengthen the party, and to end Iraq's external isolation from the Arab world. In fact, the purges revealed the basic instability of Iraqi politics, the ascendancy of personalities and the lack of any real issues in defining either political actions or actors. The purges were precipitated by various crises, both staged and real: Jordan's war against the Palestinian fedayeen in 1970, the Kurdish war which ended in 1970, support for a national front and willingness to cooperate with Communists and nationalists. At first Bakr, Saddam and Ammash were aligned together against Hardan in a military-civilian clash; then Bakr and Saddam opposed Ammash in an interparty struggle for power. And the positions of the actors on the issues were never consistent—Saddam favored both war and negotiation with the Kurds; Ammash reportedly both favored and opposed Communist participation in the government. The only survivors in these scenarios were the President and his Deputy, Bakr and Saddam Husayn.

Ahmad Hasan al-Bakr was born in Tikrit in 1912. The son of a farmer, he graduated from Baghdad Teachers College in 1932 and taught for several years before entering the Royal Military College in 1938. Bakr, already a Baathist, was a member of the Free Officers Movement and participated in the 14 July 1958 revolution. He was then appointed to the Court of Martial Law but two months later was arrested by Qasim for plotting against the regime. Despite several "retirements" from 1959 through 1961, Bakr's career in the military advanced, his promotions based on merit rather than political influence. He was in-

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<sup>4</sup> In a system where transfer to the Foreign Ministry can be tantamount to exile, Ammash was appointed in a series of demotions as Ambassador first to the Soviet Union, then to France and finally, in June 1975, to Helsinki. Ammash has been indiscreetly vociferous in his criticism of the regime and was implicated in what may have been a coup attempt in January 1976. [Footnote in the original.]

volved in plots against Qasim in the early 1960s and was named Prime Minister following the February 1963 Baath coup. When the Baath were ousted in November Bakr was appointed Vice President under Prime Minister Tahir Yahya al-Tikriti. The position was nominal and abolished the following January. Refusing to accept either a foreign assignment or exile in Beirut, he “retired” from politics. Following the 1966 Baath Party split with Syria, Bakr and Saddam helped reorganize the party in Iraq. Bakr thus had already acquired much experience in both military, government and party affairs before the coups of 1968 which brought the Baath to power in Iraq.

Saddam Husayn’s rise to power offers some contrast to that of his “uncle,” Ahmad Hasan al-Bakr.<sup>5</sup> Saddam was born in Tikrit in 1937. He attended secondary school in Baghdad but did not finish his studies at law college. While a law student he took part in the unsuccessful Baath assassination attempt on Qasim in October 1959. Saddam then fled the country, returned for the 1963 Baath coup, and fled again when that government fell in November. He returned in 1964 to participate in a plot to assassinate President Abd al-Salam Arif, was arrested and imprisoned for the next two years. In October 1966 Saddam was elected to the Regional Command of the BPI. Two months later, he was expelled in the same purge as Bakr. Saddam helped plan the coup of 17 July 1968, although the extent of his involvement is unknown. A civilian, it was through his leadership of the BPI military bureau that he began his real rise to power. In 1969, Bakr appointed Saddam Husayn Deputy Chairman of the RCC and Deputy Secretary of the BPI Regional Command. Thus far, Saddam’s experiences had been those of the conspirator, the would-be assassin, the underground achiever. Until his appointment as “the Deputy,” he had had no real administrative or governmental experience, a fact which helps to explain his political behavior once in power.

*The Kazzar Coup of 1973.* The years from 1968 through 1973 were a crucial period for the Iraqi Baath. Waves of secret arrests of Communists, left-wing Baathists, Jews and foreigners continued amid revelations of countless plots, again imputed to the CIA, the Zionists, the Shah. In 1970 nearly 100 people were hanged as spies in Liberation Square and a reporter for the *Christian Science Monitor* could write in understatement that “Fear was rampant.” Yet, at the same time, the government wrote a new constitution, instituted a series of land reforms, negotiated a Kurdish settlement, and attempted to heal a four-year old rift in relations with Baath Party founder Michel Aflaq. Stirrings of a foreign policy could also be detected—Iraq became the

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<sup>5</sup> The relationship is one of marriage not blood. Bakr’s daughter is married to the brother of Saddam’s wife. [Footnote in the original.]

first Arab country to recognize East Germany and a delegation was sent to the Soviet Union. Some measure of stability and order was being restored. However, the purges were not yet over. An abortive coup in 1973 set the stage for further readjustment of the party and the government.

In June 1973 President Bakr was in Eastern Europe concluding a series of economic and cultural agreements. On 30 June, the day of his planned return, Nazim Kazzar, the Director General of Public Security, arrested Minister of Defense Shihab and Minister of Interior Ghaydan. When an apparent plan to assassinate Bakr failed, Kazzar took his hostages and fled for the Iranian border. Shihab was killed in the escape; Ghaydan wounded. Kazzar surrendered.

Little is known of the background, motives, or leaders of the coup attempt. That it was a bid for power is clear; whose bid it was remains unclear. It may have been engineered by Saddam Husayn. He had appointed Kazzar, a Shiah, Director of National Security in November 1969 and Kazzar remained a supporter and close friend of the Deputy. The coup, thus, may have been intended as a means of consolidating Saddam's power over the military by eliminating the generals and Bakr himself. Or Saddam may have been the object of plotters who opposed his growing power and his stance on the Kurds, the fedayeen, or the Soviet Union. Leading military officers were known to be dissatisfied with government policies on these issues and to favor taking drastic action against the Kurds and in support of the fedayeen. However, the army remained loyal to the government during the coup and foiled the attempt.

Kazzar had set several conditions for the release of his prisoners: that the Iraqi Army be sent to the Palestinian battleground, that military action against the Kurds be resumed, that rightist leaders be removed from the government and the party, and that the dominant role of the Regional Command of the BPI be given to the National Command. The last two demands were used to implicate Abd al-Khaliq al-Samarrai, party theoretician and rival of Saddam, in the plot. Kazzar and 35 others were executed; Abd al-Khaliq's death sentence was first commuted to life imprisonment, then to exile in Algeria. The BPI was purged of Samarrai supporters and in August, two months after the coup attempt, Bakr delegated to Saddam Husayn full responsibility for holding party elections that fall. From November 1973 through February 1974, 250 military officers were "retired," i.e., replaced by pro-BPI officers most of whom were supporters of the Deputy.

The coup attempt had other far-reaching political ramifications. With the death of Shihab, only Bakr and Sadun Ghaydan remained of those officers who had made the 1968 revolution. Ghaydan was demoted a year after the coup from Interior to Communications Minister

and the military was thus excluded from top policy-making positions in the government. Saddam Husayn and the civilian wing of the BPI Regional Command emerged in full control of both the party and the government. Bakr remained the focus for military support, however, as a possible counter to the growing influence of the civilians and Saddam Husayn. In addition, the President now assumed the post of Defense Minister while the RCC issued a resolution decreeing decisions of the President of the Republic and the Defense Minister to be final. The Cabinet was reorganized a year later, given budgetary and administrative responsibilities, and several members of the Regional Command added to it. By November 1974 the members of the RCC and the Cabinet with few exceptions were Baathists.

*B. Government by National Front, 1973–1976*

The purges plus the constant reshuffling of military and civilian personnel were meant to stabilize the regime and consolidate support for Bakr and Saddam Husayn. However, the constant rumors of plots and the repressive tactics utilized by the regime had alienated and frightened many political moderates. Party members to the left of the government continued to demand rapid nationalization of industry and drastic economic and social reforms. If the regime were to survive, the internecine strife which had marked its history thus far had to stop. If the government were to receive the foreign military aid and developmental assistance it desired, the appearance of political unity and stability was crucial. In the fall of 1971, sometime before the Kazzar coup, the Baath government adopted a different tactic to consolidate support for the regime and stabilize the system. President Bakr announced on 15 November an "historic opportunity for the progressive national patriotic forces of the country—the National Action Charter." The Charter guaranteed "all the democratic freedoms of the people," a national assembly and a permanent constitution to be approved by public referendum. More important, it called for an alliance among the BPI, the CPI and the Democratic Party of Kurdistan (KDP) as the "foundation stone of the national coalition." However, neither the CPI nor the KDP indicated a willingness to subscribe to the National Action Charter or join a national front government. Discussions among the parties dragged on for almost two years.

In July 1973, one month after the Kazzar coup attempt, Bakr and the pro-Moscow Central Committee of the CPI, in a show of national unity, signed an accord which called for the creation of a council of ministers, the establishment of a national assembly, and the formation of a national front. Talks with the Kurds for a similar agreement continued but the KDP refused to join either the negotiations or the front. The intention of the BPI in setting up the National Front was more cosmetic than cooperative. Despite the agreement with the CPI, power and

policy emanate neither from the Front, the RCC, the Cabinet of Ministers nor the party per se. Rather, power is exercised directly by Ahmad Hasan al-Bakr, President of the Republic, Chairman of the RCC and Secretary of the BPI Regional Command, and Saddam Husayn, Deputy Chairman of the RCC and Deputy Secretary of the Regional Command. They, in turn, are maintained in power through their control of the party, the government bureaucracy, the military and the secret police.

### *1. The Party and the Government*

The relationship between the party and the government is a symbiotic one. The relationship was defined shortly after the 30 July 1968 coup in a party manifesto:

... the Party apparatus must be made to understand the relation between the role of the Party and that of the regime, and distinguish between the former as a vanguard organization and the latter as an executive arm (government). The role of the Party today differs by necessity from the role of the government, not on general principles and relations with the masses but with regard to the difference between official position and Party position. ... As for the Party, its role is to guide the policy of the regime and make plans for carrying out the policy. "Awareness of the Vanguard."

The party monitors and supervises the government on two levels. First, a monopoly of power is maintained through the appointment of members and sympathizers to key positions in the administration, the military, the police and intelligence agencies. Party members dominate the RCC and hold all important ministerial and diplomatic posts. Party members also staff the various committees of the RCC which "follow-up" government decisions, e.g., the Follow-up Committee for Oil Affairs and the Implementation of Agreements. On the provincial level governors and important administrators are chosen from party ranks and serve to make Baath influence felt throughout the administrative apparatus. There is, however, little information about party affairs and party/government relations at this level.

Secondly, party power is exercised through the various bureaus within the organizational structure of the BPI Regional Command which implement leadership decisions. These include a peasants bureau, a workers bureau, a students bureau, a cultural bureau and a military bureau. The first four direct the activities of "mass" organizations of peasants, workers, and the like; they are used to mobilize the efforts of their members and to indoctrinate them in the party's line.

The role of the military bureau is crucial to the regime. Its members include the Commanders of the Baghdad Garrison and the Republican Guard Brigade, both important factors in the making and unmaking of past Iraqi governments. Control of the Guard and the Garrison is essen-



tial to the regime. Also important is the Baath intelligence bureau which is concerned primarily with internal security, foreign political subversion, assassination and information gathering; a component of the Baath intelligence bureau, the Jihaz al-Hunayn or "Instrument of Yearning," is responsible for arrests and interrogations. The party bureaus and all government committees are directly responsible to Saddam Husayn. Party discipline is maintained through periodic purges from the government and the party, indoctrination courses for the military, and occasional reorganization of the civil services and armed forces with recruitment of new members from party ranks.

In October 1975, in order to implement "the theory of joint struggle . . . for revolutionary change" the Peoples Army was created, replacing the Baath Party National Guard. The Peoples Army could play a greater role in party and state affairs than its predecessor, however. The avowed purpose of the new militia is to protect the party and the government as well as to assist the police and the armed forces "in carrying out their national and pan-Arab duties"—this as distinct from the regular army's mission of protecting the people and the state. The "national" function of the force, estimated to number from 30,000 to 100,000, is as much to protect the Baath leadership from the military (and the CPI) as it is to cooperate with it. The "pan-Arab" aspect, broadly interpreted, could include use of the Peoples Army in Lebanon to assist pro-Iraqi fedayeen and in the Gulf to support Arab Liberation Front activities.

Although the government's intentions regarding use of the Peoples Army are still unclear, the fact that it is organized along paramilitary lines and is being trained by both Baath army officers and Cuban military advisors in weaponry and guerilla warfare tactics, leaves open the possibility of its use externally as well as domestically. It is conceivable, as well, that the Peoples Army could be used in the event that an intraparty power struggle develops. It is headed by Taha al-Jazrawi, Minister of Housing and Public Works, member of the RCC and a senior official in the BPI Regional Command since the 1960s.

Little is known of the size and composition of the general Baath Party membership. In the 1960s the party was of necessity small and clandestine with its members being primarily young civil servants, teachers and intellectuals. Although the struggles and purges of the last decade have eliminated many of the party's early members, new members seem still to be drawn from similar backgrounds. A 1972 estimate set party membership at 5,000–9,000 active members. We have no way of judging the accuracy of these figures. Membership data for the party and its Commands are not available; even the membership of the RCC is not publicized.

We know more of the BPI Regional Command, composed of Bakr, Saddam Husayn and a dozen senior party officials chosen in January 1974 at the 8th Baath Party Congress. They are the party in microcosm—for the most part young—average age in their 30s to 40s—with little experience outside the party, men who held no positions before the coups of 1968 and whose status within the party depends on factors other than professional competence or merit. Most members of the Regional Command have degrees in law, education or medicine; all hold high government posts and have served in party ranks for many years.

Nor is much known of the Baath recruitment process. The party has traditionally appealed to educated and professional people, particularly university students earning degrees in engineering, law, medicine, government and education. New recruits are still sought in the schools and universities and special assistance is offered to students and young officers joining the party; the party has also established youth cadres in the provinces with the emphasis on “correct” training and party indoctrination. While party membership is a necessary tool for advancement and promotion to any important post, the ramifications of membership in terms of education and general employment opportunities are not clear.

While there have been and are Kurds, Shiahs and even a Christian in the government, the Baath Party in power today represents a continuation of the pattern of Sunni Arab dominance which has characterized Iraqi politics since the mandate period. Recruitment for party membership and leadership roles in the government still is most frequently from the towns of Tikrit and Samarra north of Baghdad on the Tigris River, and from Anah, Hadithah and Hit, northwest of Baghdad on the Euphrates River. The political center of gravity, thus, is a triangle encompassing the Baghdad–Mosul–Anah region and excluding the Kurdish region in the north and the Shiah tribal areas in the south. However, too much emphasis can be placed on the accident of geography. It is the kinship factor, the dependence on family and clan loyalty, and party affiliation which influence political relationships and appointments.

Broadened recruitment procedures, then, do not indicate any democratization of the party. The Baath Party today remains [2 lines not declassified] an organization which continues to set a premium on isolation and secrecy. The structure remains highly centralized and authoritarian. Uncompromising, determined, often ruthless, its leaders have not hesitated to use violence to suppress any suspicion of opposition.

The National Front in 1976 is a vehicle by which the fiction of unity and participatory government is maintained by the Baath. There is no national assembly. Power is still exercised by the few with the business of government determined by personalities, not by institutions and not

by constitutional procedures. Both the RCC and the Cabinet are Baath dominated and reflect the views of the President and the Deputy. While the actual work of the government is conducted through the committee and bureau structures, neither these nor any other group in the National Front has the ability to influence or alter government policy decisions.

## *2. The Kurds and the National Front*

The Kurds have posed a consistent threat to the internal security and stability of several governments of Iraq. The Baath government warned the Kurds in the National Action Charter of 1970 that the “peaceful and democratic solution of the Kurdish national issue” was “tied to the preservation of the existing revolutionary regime.” It is not within the scope of this paper to trace the many Kurdish revolts or to analyze the various factions dominating Kurdish tribal life. It is important, however, to consider the Baathist approach to the Kurdish problem and to place the issue in the context of Iraq’s relations with Iran and the US.

On 11 March 1970 a 10 year period of revolt ended with the signing of an armistice agreement between the Kurds led by Mullah Mustafa Barzani and the Iraqi Government represented by Saddam Husayn. The agreement recognized the national rights of the Kurdish people and granted regional autonomy. Kurdish was to be an official language in the Kurdish autonomous region and educational institutions, including a university at Sulaymaniyah, were to be established. Kurds would be appointed to posts in the government, the military, the police and the universities in proportion to their number. The KDP was reformed and the Baath government promised to appoint a Kurd vice president of the Republic. Areas having a Kurdish majority were to be administered by the Ministry for Northern Affairs. Barzani retained his heavy arms and a radio station, while the government promised to pay his Pish Mirga troops (12,000–15,000 men) to act as a frontier force.

This agreement marked a high point in Iraqi-Kurdish relations. Barzani had control of more territory than he had ever held, with an officially recognized KDP, a newspaper, a radio station, and the promise of participation in the government of the country. His Pish Mirga force was armed and intact. He had yielded nothing. On 29 March, five Kurds, all supporters of Barzani, were appointed to the Cabinet. Ten days later Barzani denied he had ever intended to establish an independent Kurdistan: “I only defend my people’s rights within Iraq,” he claimed. “From now on we, as people attached to the policy of the Iraqi Government, will do our best to improve relations established between Iraq and Turkey and other countries.”

What soured the idyll? Essentially, two issues emerged: power and oil. Kurdish officials may have been appointed to the Cabinet but no

Kurds were appointed to the RCC, and the Baath rejected the KDP nominee for vice president. A census was to be taken to determine the boundaries of the Kurdish autonomous province; where the Kurds were not in a majority, the territory was to revert to the administration of the central government. The census was not taken and the Kurds accused the government of “Arabizing” traditional Kurdish areas, e.g., Kirkuk and Sinjar, and of “weakening” the policy of decentralization in the autonomous provinces of Irbil, Dohuk and Sulaymaniyah.

Initially, the Kurds had not sought to administer the oil installation in Kirkuk; they had asked for a proportionate share of the oil revenues and they insisted that Kirkuk city, center of the Iraq Petroleum Company, become the new capital of the Kurdish autonomous province. The city, despite its location in a Kurdish region, had a mixed Arab, Kurd, Assyrian and Turkman population. To influence a planned plebiscite, the government brought back Assyrian families who had fled Kirkuk during the revolt to counterbalance Kurds moving in for voting purposes. The plebiscite was not held and the dispute escalated. Did the right to profit from the mineral and natural resources of the autonomous region belong to the central government or to the Kurds? Did the Kurds have, in effect, control of their province and its resources? The Kurds refused to sign the National Action Charter; they refused to join the National Front or to nominate another vice president. Nor would they agree to a constitution or to a definition of their relations with Iran. They demanded increased budget allocations for development to be controlled by a Kurdish development committee. The government continued to reject Kurdish demands for Kirkuk. Then the BPI attempted to assassinate Barzani and his son Idris. A stalemate ensued until February 1974 when fighting broke out.

On 11 March 1974, four years after the initial agreement had been signed and the date by which it was to have been implemented, the RCC announced the granting of self-rule to the region in which the majority of residents were Kurds. Irbil would be the capital city of the autonomous province which would have a legislature, an executive council and a special budget with revenues derived from property taxes. The KDP rejected this unilateral declaration of autonomy and more clashes were reported by mid-March. The Kurds of Kurdistan, announced the KDP, would become part of a voluntary federation with the Arabs of Iraq and Mullah Mustafa Barzani, by virtue of his position as chairman of the Kurdish Executive Council, would become Vice President of the Republic. This the Baath rejected and major fighting ensued.

Thus the issues emerged as the Kurdization of the North versus the Arabization of Kurdistan, depending on one's perspective. In April the government replaced the Barzani Kurds in the Cabinet with Kurds

loyal to the administration,<sup>6</sup> and it was announced that the Kurdish movement would soon join the BPI and the CPI in the National Front. The following autumn, in the midst of war with the Kurds, the government established an executive council and a legislative assembly for the autonomous region.

Why war again? The timing may have been a result of the Baath refusal to carry out the census while insisting on the four-year time table for implementation of the 1970 agreement. Or, it may have been a direct result of worsening relations with Iran and encouragement given Barzani by the Shah. In a speech made that April Saddam Husayn noted somewhat cryptically that:

Those who sell themselves to foreigners will never become our allies as long as we live and as long as this revolution exists. To people who imagine that with US help they can obstruct the march of the revolution, and with US help they can divide this people, we tell them without hesitation, with high confidence and without delusion, with accurate calculations, and with a clear vision of the present and future aims—we tell them: You will only meet failure.

Barzani sought aid from many sources—American as well as Iranian. With Soviet support and military assistance now flowing to the Baath government and with the CPI fighting on the side of the government, Barzani told the *Christian Science Monitor* that his group stood in the way of Soviet influence in Iraq. Mullah Mustafa now envisioned a Kurdish state within a state which would represent all Kurds, those physically present in the autonomous region as well as those living outside the region, in Baghdad, Basra or even outside Iraq. He disavowed, however, any ambitions to expand his demands to include the sizeable Kurdish populations in Turkey and Iran. [*1½ lines not declassified*]<sup>7</sup> The issue, however, is not whether the promise of foreign assistance permitted the Kurds to revolt in 1974. The revolt most probably would have occurred at some point, given the nature of Kurdish demands and the reluctance of any Iraqi Government, be it Baathist or not, to accede to those demands.

The revolt created several internal dilemmas for the Baath leadership. Differences on the conduct of the war, the planning of offensives, and a negotiated peace threatened to divide both government and party in Iraq. The military had opposed the 1970 Kurdish agreement as a “profound humiliation,” feeling that the Kurds had been militarily

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<sup>6</sup> The “house” Kurds appointed on 7 April 1974 were Aziz Rashid Aqrawi, Minister of State; Hashim Hasan Aqrawi, Minister of Municipalities; Ubayadallah Mustafa Barzani, son of Mullah Mustafa Barzani, Minister of State; Abd al-Sattar Tahir Sharif, Minister of Public Works and Housing; and Abdullah Ismail Ahmad, Minister of State. All support the government’s self-rule law. [Footnote in the original.]

<sup>7</sup> [Footnote in the original (12 lines) not declassified]

defeated. They disapproved Saddam's conducting negotiations in 1970 with the Kurds and his 1974 stand opposing negotiations and favoring war.<sup>8</sup> There may have been disagreement between Bakr and the Deputy, too, over the wisdom of continuing the military campaign. Conditions in 1974, however, clearly differed from those influencing the 1970 decision to negotiate with Barzani. The Baath was in firmer control of both the political and military scene than it had been previously. The Iraqi army of 1974 was larger, better equipped, and better trained than the 1970 force which had fought the Kurds. Soviet military and technical assistance was available in a steady flow without the caveats of 1970 (then the Soviets had stipulated that war matériel supplied by them was not to be used against the Kurds). Important, too, was the decision made by Saddam Husayn to commit both the country's resources *and* his personal prestige to seek a military solution to the latest Kurdish revolt. The recurring Kurdish conflict had the potential to disrupt the Baath regime just as it had disrupted previous governments. The stability of the regime as well as the prestige of the Deputy were at stake in resolving the Kurdish revolt.

The death knell for the latest Kurdish revolt was sounded not by the Baathists but by Iran. Iran had long encouraged Kurdish rebellions in Iraq; in fact the Shah's moral support and military assistance enabled Barzani to conduct extensive warfare against several Iraqi governments. The Shah's support for the Kurds until the last war was gratuitous at best—a means to contain a pro-Soviet Arab socialist state. Helping the Kurds had become an expensive risk for the Shah by late 1974, however. Iranian planes and troops were increasingly involved in border incidents with Iraqi troops and were close to fighting directly with Iraqi forces. More important, though, it is doubtful that the Shah really wanted a Kurdish victory—Iraq's Kurds, if granted provincial autonomy or if successful in winning independent status, would represent a far greater threat to the unity and security of Iran than would an Iraqi Government victory.

For reasons strategic and political, then, Iraq and Iran chose to resolve their differences and seek a more pacific solution to the escalating conflict. The solution was framed in the Algiers Accord of March 1975 which called for demarcation of territorial and maritime borders and "the establishment of mutual security and confidence along their joint borders to put a final end to all subversive infiltration from either side." In the agreements following the Algiers Accord, Iraq made several con-

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<sup>8</sup> Military discontent on the leadership's conduct of the war led to purges of the military in September 1974. Following a defeat of the army by the Kurds, the Commander of the Baghdad Garrison, the Commander of the Air Force and several high-ranking officers were demoted. [Footnote in the original.]

cessions, both territorial and political, to Iran. Iraq had long encouraged Arab and Baluchi resistance to the Shah and had laid claim to the province of Khuzistan in Iran as part of the Arab homeland. The Baath government now conceded all claims to Khuzistan, and agreed to a boundary along the center of the Shatt al-Arab. It also acceded to other territorial border arrangements long sought by Iran. Iran, in turn, stopped aiding the Kurds. Iraq gained much in return for its concessions. Instead of making yet another agreement with the Kurds to end yet another war, the government signed an accord with Iran which both stopped the fighting and ended the threat of foreign intervention.

In the wake of the Algiers Accord, the Kurdish front collapsed and between 90,000 and 250,000 refugees fled to Iran.<sup>9</sup> By the end of 1975 the majority of Iraqi Kurdish refugees in Iran had taken advantage of the amnesty offered to return to Iraq. The policy of the Baath government toward the question of Kurdish autonomy has taken a predictable tack. References to Kurdistan or to the Kurdish region have been dropped in favor of references to the “autonomous” or “northern” province. Many returning Kurds are being resettled in small groups in agricultural farms in southern Iraq while the government is encouraging the “Arabization” of the north, i.e., it encourages Arab settlement in the north and intermarriage of Arab and Kurd.<sup>10</sup> The government is also extending its control in the region through the establishment of state-owned agricultural cooperatives, land redistribution, the funding of development projects, and the construction of new cities. New schools, new industries, new hospitals, extended social benefits—the north, then, is to be transformed and unified with the south. Centralization, not autonomy, will be the key to any future northern policy with the emphasis on the unity of Iraq, not the national rights of the Kurds.

Prospects for a large-scale renewal of hostilities between the Kurds and the Iraqi Government are unlikely at present. Kurdish acquiescence to Baath appeals for unity and cooperation will depend very much on the extent of the resettlement program in the south, the scope of Arabization in the north and the benefits to be realized from development programs in the autonomous region. While the Algiers Accord removed Iran as a major source of assistance and encouragement, the Kurds could now become pawns in the Syrian-Iraqi rivalry. Syria has offered shelter, training and supplies to Jalal Talabani, rival of Mullah Mustafa, and his Kurdish revolutionary movement in their guerrilla

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<sup>9</sup> [Footnote in the original (4 lines) not declassified]

<sup>10</sup> Bakr Mahmud Pishdari, chairman of the legislative council for the autonomous region, estimated that 50,000 refugees who had returned from Iran were being kept in the south working on agricultural projects. (*London Times*, 28 November 1975) Non-refugee Kurds have been moved from border areas to the south as well but there are no estimates as to their numbers. [Footnote in the original.]

operations against Iraq. This support would escalate if the level of animosities between the two Baath states were to escalate. Similarly, any increase in Iraqi influence which might create a shift in the balance of power as perceived in Tehran could renew the Shah's interest in the Kurds of Iraq.

### 3. *The CPI and the National Front*

Relations between the CPI and BPI prior to the establishment of the National Front in 1973 were tenuous at best. A semblance of cooperation had been maintained for several years before the 1958 revolution, but Qasim's policy of balancing off domestic forces had seen the CPI encouraged at the expense of other factions. The CPI was henceforth perceived as "the enemy" by the Baathists and a contest for power between the two factions began. It rapidly developed into a blood feud, during which the Communists sought and found opportunities to eliminate Baathists. Wholesale killings in Mosul in 1959 laid the foundations of a pervasive hatred by Iraqi Baathists of Iraqi Communists.

The time for revenge came in 1963. The brief period of Baath rule was marked by rigid anti-Communist policies and a brutal suppression of the CPI, with many party members killed, arrested or exiled. The Communists managed to survive, however, and to reorganize despite internal splits. A 1972 estimate put party membership at 2,000; by 1974 membership was estimated at 4,000, not enough to pose a threat to the Baath government.<sup>11</sup> Traditionally, the CPI has been stronger in the Kurdish and Shiah areas of the country; unlike the BPI, the CPI has always been more successful in attracting peasant and worker adherents although it no longer has the support from the trade unions that it had decades ago.

After the 1968 revolution, as a gesture of reconciliation to the pro-Moscow Central Committee of the CPI,<sup>12</sup> Iraqi citizenship was re-

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<sup>11</sup> [Footnote in the original (8 lines) not declassified]

<sup>12</sup> To the best of our knowledge, there is no pro-Chinese Communist Party or faction in Iraq; Iraq has had relations with the PRC since 1971 but trade and cooperation have been limited. The PRC consider the Baath to be "bourgeois/fascist" and Bakr and Saddam Hussayn to be "Soviet lackeys." There is some indication that the PRC supported the Kurds financially in the recent war. However China has not given *direct* military aid to either the Iraqi Government or the Kurds. [3½ lines not declassified] There was, at least through 1969, a Cuban-style faction, the CPI Central Command, led by Abd al-Aziz al-Haj Haydar, a Kurd. Haydar reportedly favored a Maoist/Che Guevara style of revolutionary politics and in 1968 established a guerrilla movement on the Cuban model in the province of Hillah. After opposing the Baath government and urging the "liquidation of imperialist monopolist interests" in Iraq, Haydar was arrested in February 1969 for a series of violent acts against the regime. At this point he reversed himself in a televised confession and urged his supporters to renounce violence against the BPI and to cooperate with the government. Haydar was then exiled to Paris as Iraqi representative to UNESCO. [Footnote in the original.]



stored to Communists in exile. This raised once again the issue of cooperation with the BPI, an issue which still threatens to divide the CPI today. Initially, Aziz Muhammad, First Secretary of the Central Committee, opposed cooperation with the BPI while Amir Abdullah, also an influential member of the Central Committee, favored joining the BPI in a progressive nationalist front so long as it opposed imperialism.<sup>13</sup> A third faction within the Central Committee opposed any and all cooperation with the BPI, fearing the ultimate intention of the Baath regime was the destruction of the CPI.

Where Aziz Muhammad feared Baath dominance of and control over the CPI, Amir Abdullah believed a policy of cooperation would inevitably make the Baath government dependent on the Communists. Amir Abdullah's position was upheld by Soviet policy at this time. As part of a growing rapprochement with Iraq and the Arab world, Soviet officials began in 1972 to pressure the CPI to sign the National Action Charter and join the National Front. Then, in June 1972, during a visit by Kosygin to Baghdad, the USSR and Iraq signed a 15 year Treaty of Friendship and Cooperation. Aziz Muhammad, convinced the Soviets would not support a divergent CPI policy, revised his position and in July 1973 signed the pact that established the National Front in Iraq. The CPI seemed to have won a major victory—it was now a legal party with the opportunity to rebuild its organization as well as the hope of influencing government policy.

Soviet insistence on CPI participation in the government influenced the Baath as well as the Communists. From the Baath point of view, however, domestic needs were a paramount consideration. The Baath hoped to solve problems of domestic disunity, i.e., a possible renewal of Kurdish hostilities, and economic development, i.e., assistance in developing the oil industry. In 1971–1973 a political alliance with the CPI seemed necessary, given Soviet and CPI support for the Kurdish movement and Iraqi dependence on Soviet military aid and technological assistance. Yet the Soviets could not eliminate the distrust of Iraqi Communists for the BPI and could not enhance the position of the CPI in the government. Although Amir Abdullah's views prevailed and the CPI joined the Front, Aziz Muhammad's suspicions have proved to be correct. The Baath is not interested in sharing power with either the Communists or the Kurds and cooperation between the CPI and the BPI remains limited at best.

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<sup>13</sup> Aziz Muhammad, a Kurd, was elected first secretary in 1964 and again in 1970. Amir Abdullah, also a Kurd, was born in 1926 and served as secretary-general of the CPI in the early 1950s; he conducted the 1972 negotiations between Saddam Husayn and the KDP over Kurdish participation in the National Front. [Footnote in the original.]

Although the USSR and the CPI dropped their support for the Kurdish movement and although the latter fought in the north in 1974 against Barzani, the Baath rejected Aziz Muhammad's suggestion that a joint military command be formed and rejected the Communist recommendations that CPI units be integrated with regular Iraqi army units. Communist units fighting in the north on the side of the government were allegedly kept short of arms and equipment. The CPI was not allowed to establish branches in captured Kurdish areas and, following the March 1975 Accord with Iran, Iraqi military commanders were ordered to prohibit heavy concentrations of CPI forces and to keep CPI units out of populated areas in the north. Of the 60 members appointed to the Committee for Northern Affairs in 1974, only five were CPI members.

Other dissatisfactions arose: despite the appointment of several Communists to the Cabinet and the promise of cooperation on affairs of state, there has been virtually no policy consultation between the Baath government and the CPI. (Of its known leaders—Aziz Muhammad, Amir Abdullah, Aziz Sharif and Mukarram al-Talabani—only two now serve in the Cabinet: Amir Abdullah as Minister of State and Mukarram al-Talabani as Minister of Irrigation.) A proposal by the CPI in fall 1974 to establish a joint higher committee on economic problems was rejected by the Baath. Nor did the CPI approve of the initiatives made by the Baath government to "right wing" Arab governments, i.e., Saudi Arabia and Jordan, begun in 1974. Such relations, it was claimed, risked Iraq's relations with the Soviet Union.

Although the fiction of government by National Front is being maintained, the policy of cooperation did not survive the end of the Kurdish war. By spring 1975 CPI members in ranking civil service positions and in universities were being replaced by BPI members and the party is closely watched for signs of opposition. The CPI is no real threat to the Baath government and can easily be held in check by it and by the Peoples Army. Although the CPI recently held its Third National Congress, there is little information available on the party's sources of support or organizational structure. Fearing a recurrence of repression, the CPI will maintain a clandestine organization even while it functions as a legitimate member of the National Front.

### *C. The Question of Succession: Who Will Follow Bakr?*

There has not yet been a complete transfer of power in Iraq from the makers of the July 1968 revolution to a new political constellation. What has occurred thus far have been piece-meal replacements and rearrangements in both the government and the party. Ahmad Hasan al-Bakr, President of the Republic, Prime Minister, Field Marshal and Supreme Commander of the Armed Forces, Minister of Defense, Chair-

man of the Revolutionary Command Council and Secretary General of the BPI Regional Command, provides continuity but he has been ill for several years.

Since 1971 Saddam Husayn has exercised an increasing amount of control over decision-making in both the government and the party, albeit under the aegis of Bakr. He has been careful not to upstage the President nor does he appear publicly to challenge Bakr's authority. Bakr seems voluntarily to have relinquished much of the routine exercise of power although he participates in ceremonial functions and is probably still a force in major political decisions. Although the reasons for this retreat are not clear, health is most probably the determining factor. [*6½ lines not declassified*]

Speculation has been high on Bakr's relations with his nephew and Deputy and on the actual sources, distribution and exercise of power in Iraq. Bakr and Saddam differ in both the sources of their support and in certain of their approaches to policy. Where the President's strength is with the senior military officers, Arab nationalists and nonparty members, the Deputy's support has come from the junior military ranks and party rank-and-file members. Saddam derives his power from his control of the party apparatus, the security and intelligence bureaus, and the government bureaucracy. He is not popular with the military hierarchy but through periodic purges of the government and the Regional Command he has elevated his own supporters to important positions.

Bakr and Saddam have had their differences, e.g., their possible disagreement on the Kurdish war in 1974 has already been noted. They have disagreed, as well, on personnel appointments and on the degree of support to be extended to other Arab countries and for the Palestinian fedayeen. These differences, however, are more than offset by the basic agreement between the President and the Deputy on Iraq's goals and priorities. While they advocate the Baath slogans of "unity, independence and socialism," these terms must be understood within the Iraqi context. Independence of action and ideology is crucial in the ongoing conflict with Syria yet unity is a favorite theme in the confrontation with Israel. However, it is solidarity within the vaguely defined Arab cause and unity in regional development which the Iraqis are stressing, not union in a political sense. Both Bakr and Saddam are pursuing a policy of "Iraq First"—a policy which places the unity of the country, the stability of the regime, and economic independence above other considerations. It is not a new theme in Iraqi history or politics. Its origins lie with Nuri al-Said and with Qasim. What is different are the means employed to attain those ends, and the different approach the Baath government has taken to ensure that independence. Where Nuri and Qasim talked of Arab solidarity, and stressed friendly relations

with Turkey and Iran and neutrality in East/West conflicts, the Baath at first turned inward, away from alliances and contacts with other states; they were deeply suspicious of Arab neighbors in particular. However, Bakr and Saddam Husayn have redefined Iraq's foreign relations and together have charted a new course for Iraq domestically and internationally. Given their control of the internal political structure, they have been willing to attempt new modes of political behavior, i.e., a temporary cooperation with the CPI, alliances with Arab and non-Arab regimes previously shunned. The defeat of the Kurds, the successful treaty with Iran, the nationalization of the country's major resource, oil, even the National Front—these successes have strengthened the regime in general and the Deputy in particular.

Barring coup or assassination, then, Saddam Husayn will be the successor to Bakr. The Deputy at 40 is essentially an opportunist, not an ideologue. He has a reputation for courage, ruthlessness and shrewdness. He pays lip-service to an ideology of Arabism but realizes that, given the substantial non-Sunni Arab population, Iraqi nationalism and Arab unity are not necessarily one and the same thing. Again, Saddam's first concern is Iraq, not Arabism, not Palestine, not even Baathism *per se*. In his world-view Iraq is independent, socialist, nonaligned and anti-imperialist. The Deputy is ambitious, both nationally and personally. He would see Iraq become one of the Arab world's largest oil producers and he would see himself leader of that development. He would have Iraq, too, resume its place as a maker of Arab policy, a participant in the shaping of Arab and Gulf affairs.

The question is not whether Saddam will be able to retain the power he currently holds; rather, the question becomes will he be able to maintain it without the facade of Bakr's "guidance." Until recently, it appeared that the Deputy would not seek power overtly in the event of Bakr's death or retirement but in order to insure acceptance and a peaceful transition would probably rule jointly with a figure representing the military. However, in January 1976 Saddam was given the military rank of general by Bakr. This appointment may have been intended as a prelude to making Saddam Minister of Defense; the Deputy at present holds no Cabinet or government position other than as Deputy Chairman of the RCC. It may have been intended as a means of guaranteeing his ultimate and solo accession to power. But Bakr has not relinquished the Defense Ministry and Saddam is no more palatable to the military as a general than he is as the Deputy.

The Baath Party, then, appears to be firmly in control of the country and Bakr and Saddam Husayn are in control of the party. Policies established by them are not likely to be drastically affected by an alteration within the Baath government. Despite recent turnings to the West for arms and technology, close ties will be maintained with the

Soviet Union and Eastern Europe. Iraq will no longer deal exclusively, however, with the East; large oil revenues now permit the government to shop East and West, to encourage commercial contacts and contracts with Japan, France, Italy, and the US as well as Poland, Czechoslovakia and the Soviet Union. In addition, Iraq has reopened diplomatic and trade negotiations with its Middle Eastern neighbors, with Turkey, Iran, Saudi Arabia, Jordan and Kuwait. These trends are likely to continue and will be pursued by the Baath and by Saddam as long as they provide results. The one area of major alteration of present policy is that of relations with Syria; a coup against the BPI or one from within the party could bring to power men disposed toward radically revising the current state of tension. (These themes are traced in subsequent sections.)

In addition to Bakr and Saddam Husayn, there are two groups having the potential to exercise power and influence the succession of Saddam Husayn—an inner circle of RCC members and a second-level group of Baath bureaucrats who hold multiple positions in the government and the party. The first includes ministers and RCC members Izzat Mustafa, Izzat al-Duri and Sadun Ghaydan al-Ani. Dr. Izzat Mustafa served as Minister of Health from July 1968 until his appointment as Minister of Labor and Social Affairs in May 1976; he has been on the RCC since November 1969 and is a member of the BPI Regional Command. A Baathist since the 1950s, Mustafa has been a staunch supporter of Bakr but has the respect apparently of the Deputy as well. Izzat al-Duri, Minister of the Interior, chairman of the military bureau of the BPI Regional Command and a member of the RCC since 1969, is one of the strongest figures in government. Duri is a leader of the civilian wing of the party and has been critical of leadership decisions in the past. His recent promotion from Minister of Agrarian Reform to Minister of Interior—he is the first civilian to be appointed to that post—reflects his status in the party as well as the support of both Bakr and Saddam. Sadun Ghaydan al-Ani, currently Minister of Communications and a member of the RCC, was commander of the Baghdad Garrison and one of the senior military officers taking part in the July 1968 coups. He is the only member of the RCC who is not also a member of the Regional Command. Ani may not be a member of the party; he does have considerable support from the military although he no longer holds military rank.

Mustafa, Duri and Ani owe their positions to influential sources of support and are probably too powerful for Saddam Husayn or anyone else to challenge at present. However, the position of the Deputy has been strengthened in recent years by the emergence of a new class of party bureaucrats. Young Baathists with some education and experience in government and with proven loyalty to the party have risen to

new and sudden prominence, frequently holding positions in the Cabinet, the RCC and the Regional Command simultaneously. This multiplicity of positions, however, suggests more power and independence of action than they actually possess. The career thus far of Taha al-Jazrawi, Minister of Housing and Public Works, reflects this new class well. Jazrawi, a Kurd, was active in Baath underground activities in the 1960s and has been a member of the Regional Command since 1966. In November 1969 he was appointed to the RCC. He has held several posts in the Cabinet since then—Minister of Industry, Acting Minister of Planning, chief of the party's military bureau. In October 1975 he was named Commander of the Peoples Army (described above). This promotion, made at the same time he held important party and government posts, was soon followed by a demotion of sorts, a shift from Minister of Industry to his current post. Although Jazrawi is considered to be a strong supporter of Saddam Husayn, his recent "demotion" plus his party offices indicate he is a strong rival for power in the party and the government.

There are others like Jazrawi in the government.<sup>14</sup> They are active in Baath Party affairs, are members of the Regional Command, and some may be members of the RCC as well. These individuals, through their positions, their party affiliations, their alliances with the leadership, function as executive supports for the regime. However, the extent of their influence, the degree of their independence of action, can only be estimated. That they have survived purges and coups indicates some base of support and strength. Their ability to effect administration decisions would seem to be limited at best. Real decision-making still appears to be controlled by Bakr and Saddam Husayn, with the Deputy in firm control of both the party and the government.

This apparent absence of rivals to the Baath Party in Iraq and to Saddam Husayn demonstrates the leadership's ability to isolate and eliminate dissident persons and factions. The only potential source of organized opposition remaining outside the government and the party is the military. The army has played a major role in Iraqi politics since 1936. At the time of the 1968 coups, the military was at the height of its political influence and prestige; all five members of the ruling RCC

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<sup>14</sup> Other representatives of this "new class" include Muhammad Mahjub, Minister of Education and member of the BPI Regional Command; Ahmad Abd al-Sattar al-Juwari, Minister of State for Presidential Affairs and Minister of Religious Affairs; Sadun Hammadi, Minister of Foreign Affairs; Anwar Abd al-Qadir al-Hadithi, Minister of Municipalities; Hikmat al-Azzawi, Minister of Foreign Trade, Acting Minister of Internal Trade (briefly) and member of the BPI Regional Command; Tayih Abd al-Karim, Oil Minister and member of the BPI Regional Command; and Ghanim Abd al-Jalil, Minister of Higher Education and Scientific Research and member of the BPI Regional Command. In addition, Mahjub, Juwari, Hammadi, and Hadithi have been reported to be members of the RCC. [Footnote in the original.]

were military men. Beginning in 1969, however, the role of the military in the politics of the Republic was severely curtailed with the introduction of civilian Baathists to the RCC and the government and by the ascendance of Saddam Husayn.

There are several explanations for this shift. Politics in the military is closely controlled. A decree of the RCC in 1971 banned all non-Baath political activity and organizations within the Iraqi armed forces. That same year a large number of party members were added to military units and to the police and security apparatus. The party has since tried to extend its influence in and control over the military in other ways. Recently, to reduce opposition and increase party membership in the armed forces, the BPI offered a 50 percent salary increase to all Iraqi military personnel and a substantial allowance to students if they joined the party. However, the success of these recruitment drives and the extent of politicization in the military is not known. We have no information on the impact of political indoctrination or monetary inducements on military personnel.

Moreover, frequent purges of the military have resulted in the transfer, arrest or exile of many high-ranking officers. Those purged have included pan-Arab nationalists and disaffected Baathists as well as nonparty members or suspected CPI sympathizers; CPI members in the army have been executed. Yet, despite its distrust of the regime and dislike of Saddam Husayn and the party's militia and military bureau, the military supported the government during the 1973 coup attempt and fought, taking heavy losses, in the recent Kurdish war. The major areas of contention between the military and the government remain the influence of the party on military advancement and decision-making and dissatisfaction with Soviet arms and training. Especially resented are the party's attempts to dominate military units and their commanders, the "supervision" of upper-ranking officers by lower-ranking party members, the emphasis on political indoctrination and the enforced early retirements. Resentment has been voiced, as well, about the dependence on Soviet arms and advisers. The fact that Soviet military assistance is contingent on political as well as military necessity has not eased this tension between government and military.

Today, unlike Baathist Syria, the military in Iraq is no longer able to control events or influence the leadership in policy decisions. Baath Party members who are in the military and the new Peoples Army may serve as effective restraints on the military's traditional independence of action. Surveillance, infiltration and purges may allow the government to feel it has sufficient control over the armed forces. But, the regime cannot be sure of the absolute loyalty of the generals and colonels. We cannot determine the extent of military dissatisfaction with the regime. That such dissatisfaction is minimal at present we can

only assume, given the successful conclusion of the Kurdish war, the continued flow of arms and matériel from the USSR and Eastern Europe, and the elimination of several dissident commanders and officers. There were indications of military unrest in January and through the spring of 1976 but, again, no hard information is available on military attitudes toward the regime.

Our best assessment, then, is that the Baath are securely in political control of Iraq and that Saddam Husayn will retain his position in the event of Bakr's death or retirement. Neither the Communists, the Kurds, Arab nationalists or the military appear able at present to mount an effective challenge or alter the present political balance. Will the loyalties of the military and the allegiances of the BPI's military faction be transferred from Field Marshal Bakr to Staff General Saddam Husayn? Probably, although reluctantly; information is too scarce to warrant a more certain estimate.

### *III. The Economic and Social Transformation*

Iraq is a rich country—rich in its mineral and natural resources, its fertile soil, its people. Yet, when the Baath came to power in 1968 Iraq's economic development lagged behind that of neighboring states. Oil revenues had been declining, there were critical manpower shortages, little capital was being reinvested to the industrial development of the country, the annual growth rate averaged 3–4 percent, per capita income was \$295 and the illiteracy rate was 80 percent. The trend toward urbanization was increasing; between 1965 and 1972 the urban population rose 45 percent. By the latter year 60 percent of the people were concentrated in urban centers.

If achieving the unity and stability of Iraq has been the ultimate political goal of the Baath Party, economic independence and self-sufficiency have had no less a priority. Political instability and the lack of internal social cohesion in the early years of the Baath regime delayed decision-making in areas critical to economic development. The establishment of political control by the civilian BPI, the settlement with Iran, and the oil crisis of 1973–1974 with its attendant rise in prices have given the Baath government the opportunity and the resources to implement more ambitious economic and social goals; they have also given Bakr and Saddam Husayn successes on the economic front which have bolstered their political prestige and provided an added measure of growth and stability. The primary objectives of their new economic and social policies are rapid growth, full employment, equal educational opportunities and an equitable distribution of income. To realize these objectives, the government has instituted economic planning, nationalization of industry, diversification in industrial development and agrarian reform.



*A. On the Economic Front**1. The Five Year Plans*

The five year plans reflect party philosophy as well as government priorities. Couched in Baathist codewords of economic and social justice, they stress the economic and social integration of the country as well as nationwide and regional (pan-Arab) planning aimed at establishing self-sufficiency in certain areas, e.g., banking, agriculture, shipping. As in politics, then, so too in economics; “unity, independence and socialism” are the Baath themes for the transformation of the country.

The two plans produced by the Iraqi Baath government—there was a previous plan in the early 1960s—have centered on increasing the standard of living by increasing the rate of economic growth and by securing economic stability; and on reducing the dependence on oil revenues by controlling production and diversifying industry. Their first five year plan (1970–1975) focused on stimulating agricultural and industrial exports while reducing imports. Meant to minimize the reliance on oil royalties, the reverse happened with the rapid rise in oil revenues in 1973 and government dependence on oil revenues increased during this period.<sup>15</sup>(See Table 1.)

The scope and investment projected for the second five year plan, to run from 1976 through 1980, are far more ambitious. In 1975 with oil revenues treble the previous year’s, the government indicated that it would invest 10 billion dinars (\$34 billion) in the development of the country. This would be triple the amount invested during the 1970–1975 period. In the new plan highest priority will be given to those industries where the production cycle from raw to finished goods can be completed within the country—oil, petro-chemicals, chemicals, food and agricultural produce. The plan also advocates the development of projects in coordination with other Arab countries and in cooperation with joint Arab companies. To implement this cooperation Iraq has entered into several cooperative banking, shipping and trading ventures with its Arab and Gulf neighbors.

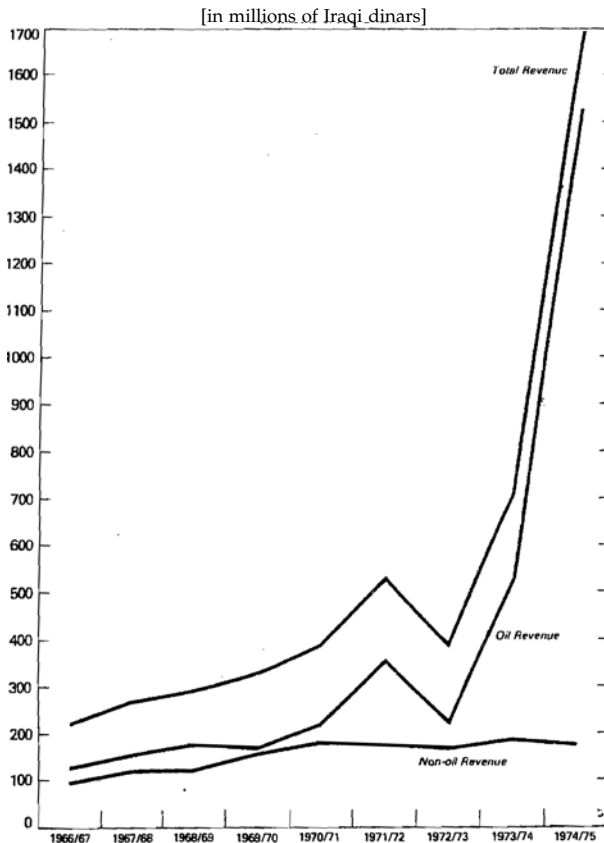
The projects outlined in the new development plan include highways, industrial plants, railroads, port facilities, new towns—all to be constructed as rapidly as possible. But the new plan is running into trouble. There have been delays in setting the specific amounts to be invested and in establishing priorities. Inflation plus uncertain oil prices could affect the ability of the government to fund its projects, although

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<sup>15</sup> Republic of Iraq, Planning Board and Ministry of Planning, *The National Development Plan, 1970–1974* (Baghdad, 1971), pp. 90–91. [Omitted here are detailed statistics on projected annual growth rates.] [Footnote in the original.]

Table 1

IRAQ  
TRENDS IN GOVERNMENT REVENUE



this is unlikely. Iraq has had to arrange several loans to cover expenditures and oil liftings have been adversely affected by the political breach with Syria. These factors, as well as inadequate transportation and communication facilities, will delay the implementation of Iraq's development projects. They are not, however, long-term obstacles.

## 2. Nationalization and Industry

Basic to Baath economic policies is government ownership and/or direct control of industrial and agricultural production. The government aims at nationalization of all basic industries, from oil, petrochemicals, fertilizers, to food and textiles. Partial nationalization of industries less vital to the economy is also planned. At present, 50 percent of the industrial sector and 40 percent of the transportation sector are nationalized. Thus far, the government has been pragmatic in taking a

gradual approach to industrial nationalization. The exception to this approach, and the example of the government's intentions, is the oil industry.

Iraq is the fifth largest producer of petroleum in the Middle East and among the 10 largest producers in the world. In the 1960s oil exploration and production declined, with Iraq's share of Middle East oil production dropping from 18 percent to 8 percent while other oil producers were expanding production. Oil exploration in Iraq had been the province of the Iraq Petroleum Company (IPC) and its affiliates, the Mosul Petroleum Company (MPC) and the Basra Petroleum Company (BPC). In 1961 the government cancelled IPC concessions in nonproducing areas and the next year established the state-owned Iraq National Oil Company (INOC). Following a long period of negotiations with IPC, the Baath government announced nationalization of the company on 1 June 1972; the MPC was nationalized the following March. The process was completed in December 1975 when Iraq assumed the remaining foreign-held shares of the BPC.

Iraq's dependence on oil cannot be minimized. Before nationalization, in the period 1966–1973, oil provided 58 percent of all government revenues; in 1973–1974, one year after nationalization, oil provided 74 percent of the total revenues of the government and in 1974–1975, 89.9 percent. Petroleum exports in 1971 represented 25 percent of all export revenues; in 1972 this increased to 56 percent and in 1973, 85 percent. Oil revenues by 1974 had reached \$6.6 billion, five times the 1972 level; revenues for 1975 are estimated at \$8.2 billion.<sup>16</sup>

Nationalization has not had the dire impact the oil companies predicted in 1972. Lack of technicians skilled in managing and developing the oil industry independent of the oil companies was a major problem and accounted for a brief decline in oil production following nationalization. This is being solved, however, with improved vocational training, the expansion of secondary and higher education, and the return of skilled technicians from abroad. According to a World Bank study in 1974 the number of technically qualified staff employed by government and state enterprises has grown rapidly, with virtually all major oil fields and factories being run by Iraqi technicians. In 1972, on the eve of nationalization, Iraq's crude oil production averaged 1.5 million barrels per day (b/d). By March 1973, under Iraqi control, production had risen to two million b/d, of which 1.2 million b/d came from

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<sup>16</sup> The Economist Intelligence Unit projected profits of \$5.4 billion for 1975. (*Quarterly Economic Review: Iraq*, No. 4–1975) See also OER, Intelligence Memorandum, "Iraqi Oil Gives Wider Economic Options, ER IM 73–50. [5 lines not declassified] [Footnote in the original.]

the Kirkuk fields. Nor has Iraq had trouble in marketing its oil. By mid-1973 Iraq's oil production through 1976 had been sold via long-term contracts to the Soviet Union, Great Britain, Italy, Brazil, Spain, India, Turkey, Austria and the US. The fact that Iraq is the only OPEC country to market the bulk of its oil directly has not hampered sales. Poor management and prices higher than the OPEC scale caused a temporary drop in early 1975. These lost markets were regained the following year by lowering prices below OPEC levels. In 1975 Iraq was the only OPEC member to show a sizeable gain in oil revenues (\$1.3 billion).<sup>17</sup>

Current oil policy in Iraq is based on several factors: the financial needs of the country for development purposes, the extent of oil reserves, and world market conditions. The aim of oil policy is to fund the industrialization and modernization of the country, to make Iraq economically self-sufficient and independent. Soviet aid in developing the North Rumaylah fields and in constructing port facilities at the head of the Persian Gulf have helped Iraq realize the goal of control of exploration and exploitation. Turkish assistance in construction of the 610-mile pipeline to Iskanderun on the Mediterranean and Italian aid in completing a 400-mile reversible-flow pipeline connecting Kirkuk and Rumaylah with the Gulf or the Mediterranean give Iraq the freedom to negotiate alternative oil export arrangements independent of the Syrian pipelines.

Iraq's policy of independence has not always been compatible with its allegiance to Arab unity or its membership in OPEC/OAPEC. While the Baath government urged use of the oil weapon in linking sales to support of the Arabs against Israel, it did not adhere to the cut-backs in production OAPEC ordered nor did it cooperate fully in the 1973 oil embargo. Instead, the government chose to sell or boycott according to what it considered beneficial to Iraqi interests. Iraq will continue to seek larger oil revenues. It will do so in conjunction with OPEC and OAPEC where profitable but it is prepared, too, to take an independent line if necessary.

Baghdad may very well be "floating on a sea of oil" as the INOC chairman announced in February 1975. Iraq's proved and probable oil reserves are currently estimated at 35 billion barrels of crude oil; this is in comparison to Saudi Arabia at 170 billion barrels, Kuwait at 71 billion barrels and Iran at 64 billion barrels. Latest crude oil production ca-

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<sup>17</sup> Saudi Arabia and Kuwait boosted their production by "official" cuts in price, claiming to be in line with OPEC decisions. Iraq denounced these cuts but boosted its production by continuing its own more covert price cuts. "OPEC Countries: Current Account Trends, 1975–76." [Footnote in the original.]

capacity is 2.25 million b/d although 3 million b/d could be produced.<sup>18</sup> These estimates do not include the reserves that may lie under Baghdad itself. They do, however, indicate the long-range potential of Iraqi oil. If these estimates are correct and if Baghdad is sitting on one of the largest oil reserves in the Middle East, then Saddam Husayn's hope—"that one of the last two barrels produced in the world should be Iraqi"—may be fulfilled.

The oil industry will continue to receive top developmental priority and oil revenues will continue to provide more than sufficient revenues to fund new projects. However, the stated goal of the government is "self-sufficiency"; this implies not just control of the oil industry from exploration through marketing. It implies as well investment in the nonoil sectors of the economy—in textile factories, cement and chemical plants, agriculture and food processing—projects that could ultimately lessen, if not eliminate, dependence on either oil or foreign investment and assistance. And this is the real intention of "self-sufficiency."

### 3. *The Other Side of the Economy: Agriculture*

While the oil industry provides 80 percent of the state's GDP, it is agriculture which traditionally has occupied most of the people of Iraq, employing in 1974 over 55 percent of the labor force. Development here has been hampered by insufficient irrigation facilities, an inefficient marketing system, lack of transportation and storage facilities, shortages of spare parts for agricultural machinery and of raw materials, and a shortage of skilled technicians. Although one-fourth of Iraq's total land area—12 million hectares—is potentially cultivable, only 7.5 million hectares are actually cultivated.

Between the Agrarian Reform Law of 1958, which expropriated the holdings of feudal landowners, and the modification of that law in 1970, little was done in Iraq regarding agrarian reform or land tenure. The Baath would like to nationalize agriculture as it has the oil industry but so far it has had limited success. Under the 1970 law, membership in a cooperative was made compulsory for recipients of lands requisitioned and redistributed by the state. The intention of the government was to create cooperatives under collective management with the state providing capital and technological assistance to the peasants. By the

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<sup>18</sup> Estimated crude oil productive capacity: (million b/d)

	1975	1980
Iraq	3.0	6.0
Iran	6.8	8.2
Saudi Arabia	11.5	16.0

OER, "International Oil Developments", IOD 75-47, 28 November 1975, SECRET; [2 lines not declassified] FBIS, 11 April 1974. [Footnote in the original.]

**Table 2**  
**Number of Agricultural Cooperative Societies**

Year	Number of Cooperatives	Number of Members	Total Area* of Cooperatives
1964	225	29,496	197,800
1965	298	39,244	238,700
1966	367	47,725	256,300
1967	410	54,750	282,900
1968	473	62,976	329,700
1969	608	76,171	361,200
1970	786	107,797	518,100
1971	831	126,968	676,600
1972	992	146,630	995,500
1973	1,275	201,490	1,345,400

\*In hectares (1 hectare = 2.47 acres)

Source: Republic of Iraq, Ministry of Planning, *Annual Abstract of Statistics 1973* (Baghdad, n.d.), p. 132.

early 1970s, the government had established more than a thousand agricultural cooperatives (Table 2). Their reasons for a nationalized agriculture are not only ideological; state-run cooperatives and experimental farms are being used now to introduce more efficient and productive agricultural methods. Although the concept of collectivized agriculture may not be gaining wide acceptance among a peasantry accustomed to share-cropping and tenant-farming, new techniques, improved seed and new planting methods are being taught by example. The response to the government's agrarian reform program remained slow, although the government claimed by 1973 that 18 percent of the land cultivated had been "cooperativized."

In January 1974 Law Number 12 amended land redistribution procedures to permit lands sequestered under the Agrarian Reform Laws to be leased for cultivation by individual farmers as well as cooperatives. The amendment had two objectives: the rapid and legal redistribution of land to peasants already living illegally on the land, thereby giving security of tenure to peasants; and the reduction of migration from rural agricultural lands to urban centers by encouraging land holding.

In January 1975 the government announced a five year plan (1976–1980) for agricultural development to be funded by 3.1 billion dinar (\$10 billion) investment. The goal is to make Iraq self-sufficient in agricultural production, raise the standard of living for the peasant, expand the mechanization of agriculture, and adopt modern scientific methods "to achieve the revolution's ambitions to build a developed

and prosperous socialist countryside.”<sup>19</sup> In addition to projects for dam construction, irrigation, drainage and land reclamation, the development plan calls for covering the agrarian reform lands “100 percent” with agricultural cooperatives—450 new co-ops are to be established on these lands while 50 percent of the lands outside the agrarian reform area would be “cooperativised,” i.e., 335 new co-ops planned. Cooperatives will receive two-thirds of all agricultural loans. Government planners envision the total and voluntary collectivization of agriculture within 15 years.

While the goal of a completely collectivized agricultural society may not be attainable for social reasons, the improvements projected in land reclamation and irrigation are feasible but are also dependent on available water supply—and this is dependent, in turn, on political relations with Syria. Neither Iraq, Syria nor Turkey have agreed on the amounts of water to be released for the dams on the Euphrates. Water from the Tabaqah Dam on the Euphrates in Syria could make Iraqi projects workable. It is not yet clear if the supply will be sufficient to meet both Syrian and Iraqi demands. In the past Syria has not been disposed to accommodate Iraqi needs.

Inherent in the agricultural five year plan, as in the industrial five year plan, is the attempt by the government to establish centralized, regional planning to ensure balanced growth in the agricultural integration with other Arab countries. To implement these policies the government has established controls on prices, marketing and distribution. Trained agriculturalists are being sent to the state-owned cooperatives and, recently, the government invited Egyptian peasants to settle in the southern provinces. The possibility of success of any state policy aimed at the establishment of collective farms and agricultural cooperatives is uncertain. It must be noted that land reform is not a panacea for Iraq’s problems. What is crucial is that someone—the state being the most logical—has to supply the seed and fertilizer, repair the pumps, organize canal work, settle disputes among cultivators, run the irrigation system, provide qualified technicians and managers if there is to be a more productive and efficient agriculture and an increased standard of living for the peasant. One further comment must be made regarding agrarian reform. Much of the discussion in this section has emphasized the government’s role in adapting efficient and viable reforms in agriculture. Acceptance of these changes by a traditionally conservative peasantry in a culture which has always regarded change as “sinful innovation,” will compel the Baath to proceed cautiously.

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<sup>19</sup> Speech by Hasan Fahmi Jumah, Minister of Agriculture and Agrarian Reform, in FBIS, 11 April 1974. Jumah has an earned American Ph.D. in agriculture. [Footnote in the original.]

*B. Towards a Social Policy*

Although “social” concerns were not a priority of the new regime in 1968, a social policy based on Baath prescriptions for economic and social justice is emerging gradually in Iraq. For a regime whose goals are unity and stability, some policy designed to gain popular support, to integrate the country’s diverse ethnic and religious groups, to raise the standard of living and educate a population which is still 65 percent illiterate and heavily dependent on agriculture is essential.

Oil money has enabled the Baath government to implement programs for the economic and social transformation of Iraq—to build factories, farms, schools, to raise the average per capita income for Iraq’s 11 million people to exceed \$900 (more than double the 1973 level). Recently, the wage rate for unskilled labor in the public sector was raised 18 percent and salary increases and special allowances were granted to government employees. In 1974–1975 further measures were taken: the exemption level of personal income tax was increased from ID400 to ID600 and of property tax from ID300 to ID400; rates on taxable incomes were reduced as was the property tax. The defense tax introduced in 1967 was partially rescinded and cost-of-living allowances were increased for workers, civil servants and retirees. The dependents allowance was increased and the government decided to provide education at all levels and some medical services free of charge.

Here, again, we do not know the extent of the success or the acceptability of the government’s proposals and programs by “the people.” The government uses subsidies to maintain basic food prices, but there have been shortages of consumer goods and food staples and there are controls on both prices and profit margins in the private sector of the economy. There are no recent statistics available on crop production, general consumer demand, employment levels or prevailing wage rates. The IMF in 1974 estimated a total labor force of three million with a 7 percent (200,000) rate of unemployment and Iraqi Government figures appear to agree with this estimate. (See Table 3). However, these estimates may not allow for seasonal variation in the agricultural sector and little is known of the actual scale of industrial development and employment.

There are reports of a gap between the standard of living of workers and of officials of the Baath Party. That party members are accorded special “perqs” not available to the rest of society is axiomatic in a one-party system; but the extent of the perquisites—and the degree to which they are resented by non-Baathists—are again unknown. In the event of political instability, this kind of economic inequality could encourage opposition to the party leadership.

The success of any social policy, be it to assure land tenure rights, to improve the standard of living of worker and peasant, to modernize



Table 3

## Sectoral Composition of Employment (as percentage of labor force)

	1963	1966	1969	1972	1973
Total labor force	100.0	100.0	100.0	100.0	100.0
1. Employed	92.1	93.6	93.8	93.7	93.2
a. Agriculture	45.0	49.0	51.0	52.0	52.0
b. Industry	9.6	9.9	9.0	8.9	n.a.
c. Services	37.5	34.7	33.8	32.8	n.a.
2. Unemployed	7.9	6.4	6.2	6.3	6.8

Source: Republic of Iraq, Ministry of Planning, *Annual Abstract of Statistics* 1972 and 1973.

society, does not depend solely on the will of the government. It depends, too, on the acceptance by the people of the goals and sacrifices necessary to attain the new society. Iraq is a state with one-party rule, directed economic planning and a socialist ideology; it is also a multi-ethnic and religious society with no real sense of shared traditions, common history, or national identity. Changes in the land tenure system meant to assure peasants their rights to the land are probably popular if not successful. Enlightened tax laws and wage incentives are also popular if not done at the expense of a group. However, certain other issues continue to confront the regime. How conservative and traditional have the Shiah of the south remained, how recalcitrant the Kurds of the north? Has government by the revolution become palatable to religious and ethnic minorities which historically have rejected *any* form of central government, be it Ottoman or Hashimite, monarchy or republic.

For example, there has long been much distrust of Sunni Arab leadership and great wariness of schemes for Arab nationalism and unity on the part of the more numerous Shiah. In 1920, 1936 and 1964 Shiah religious leaders "authorized" revolts or unrest against the regime in power. Yet the Shiah of Iraq today do not represent a unified movement nor even a focus of opposition to the Baath regime. Their capacity for political action is limited and even constrained by recent government ventures.

Several recent foreign policy moves have created a greater feeling of community between the Sunni rulers and the mass of the Shiah. The dispute with Syria over the allocation of water from the Euphrates River attracts the support of the many Shiah cultivators south of Baghdad who depend on the river for irrigation. The rapprochement with Iran, a Shiah state, is highly popular because it will enable Iranian pilgrims to visit the shrines in Najaf, Karbala, Samarra, and Kadhi-mayn, thus bringing both economic and spiritual benefits to Iraqi

Shiahs. Shiahs from Iraq can now again visit the holy cities of Iran. (On his visit to Iran in 1975 Saddam Husayn made a special donation to the shrine at Mashhad.) Thus, Shiah opposition to Baath nationalism and fears of religious persecution (60,000 Shiahs were deported to Iran only months before the accord between Baghdad and Tehran) seem to be mollified.

Any plan for the modernization of Iraq has to deal with the shortage of skilled manpower. There are two approaches: reliance on foreign technicians and/or creation of an Iraqi manpower base. Iraq has offered incentives to trained Iraqis living abroad to return with no penalties. It has also asked Egypt to supply workers and technicians to aid in the implementation of development programs and to offset the acute shortage of skilled personnel. Iraq's labor law gives the same rights and duties as Iraqi citizens to Arabs residing in Iraq, Palestinians excepted.<sup>20</sup>

The second approach to developing "manpower" in Iraq brings the government to grips with the realities of a backward society in which attitudes towards literacy and the role of women can be changed only by massive effort. "Manpower" is a loaded term in a country with an extremely high illiteracy rate nationally (65 percent), a rate which is probably higher among women.<sup>21</sup> While the government has opened some positions to women and educational opportunities are more available, rural women are still victims of ignorance, superstition, poverty and illiteracy. None have reached the power of Adalah Khan, the Kurdish woman who was accorded the title of "khan" because she was the head of her tribe. Only a few women have attained senior positions, e.g., a woman was appointed to work with the National Front in 1974.<sup>22</sup>

Iraq is a young country—59 percent of its 11 million people are under 19 years of age. Investment in education and vocational training, then, must have a high priority if Iraq is to realize its goals of independence and self-sufficiency. The Baath government has continued to support the boom in education which began in the 1960s. Since the 1968

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<sup>20</sup> This is the practice of all Arab states "in order to protect the Palestinian identity." See Abd al-Qadir al-Hadithi, Minister of Labor and Socieal Affairs, in FBIS, 25 February 1975. [Footnote in the original.]

<sup>21</sup> An article on "Fertility Characteristics and Family Planning Knowledge, Attitudes, and Practices in Baghdad, Iraq" found that of the 1,095 women interviewed, two-thirds were illiterate even though 62 percent came from an urban background and 37 percent reported that their husbands were illiterate. There is no official government policy regarding family planning. [Footnote in the original.]

<sup>22</sup> Dr. Nazihat Jawdat al-Dulaymi, a gynecologist and a member of the CPI, was appointed Minister of Municipalities and Minister of State in the Qasim government. She was the first woman in modern Iraq to be appointed to a Cabinet post. The Baath restored her citizenship in November 1968 and in July 1974 she was appointed to full-time work for the National Front. [Footnote in the original.]

revolution there has been a steady growth in both attendance and graduation figures.<sup>23</sup> Iraq had a “brain drain” problem, some Iraqis leaving for political reasons, others for better employment opportunities. The government is attempting to lure back its professionals from abroad and recently decided to offer positions in the public sector to all unemployed graduates of universities and institutions of higher education. The civil service already employs as much as one-half the urban working population in the country.

In accordance with its Baathist principles, the regime in Iraq is investing heavily in efforts to educate and modernize its population and to do so on a national scale, for women as well as men, for Shiah and Kurds as well as Sunnis. The government has the money and the economic incentive to push in this direction on a massive scale. Such policies have their political benefits; they can be used to attract youth, workers and peasants, intellectuals and potentially dissident tribesmen previously ignored by the system to the support of the Bakr–Saddam Husayn regime. But such a program inevitably creates some seeds of dissidence too. Better-educated, more prosperous groups are not unquestioningly loyal; they are likely to make new demands on the government and to feel little gratitude for their “benefactors.” Groups currently enjoying the advantages of the system may not want to share them with the newly advantaged. However, these types of developments do not emerge overnight. The government in Baghdad is quick to perceive signs of trouble and will continue to resort to tactics of repression if it feels political dissidence threatens its stability and control.

#### *IV. Internal Necessity and Foreign Relations*

In foreign policy, as in domestic politics, “Iraq First” is the basic priority of the Baath government. Again, it is not a new theme; in the five decades since independence it has been the goal of Nuri al-Said and Abd al-Karim Qasim, of Abd al-Salam Arif and, now of Bakr and Saddam Husayn. Before the 1958 revolution Nuri advocated cooperation with the West and membership in the Baghdad Pact despite the growing unpopularity of such policies in the Arab world. Then 80 percent of Iraq’s foreign trade imports came from Great Britain, Western Europe and the US; these same countries bought 59 percent of the country’s exports.

Since the 1958 revolution the governments of Iraq have pursued several courses of action. Qasim and the brothers Arif chose nonalignment, establishing relations with Eastern Europe while maintaining re-

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<sup>23</sup> At the time of the 1968 revolution 285,000 students were enrolled in secondary schools and 37,300 in institutions of higher education; by 1973, the latest year for which statistics are available, 353,000 students were enrolled in secondary schools and 49,200 in higher education. [Footnote in the original.]

lations with the West. Foreign trade statistics for the decade of the 1960s reveal an equal degree of trade East and West.<sup>24</sup> After 1968 the Baath shifted foreign policy to one of realignment, preferring to develop relations with the East and those considered ideologically sympathetic. Internally the shifts in foreign policy reflected Baath concentration on domestic politics, on the need to establish legitimacy and maintain control. Externally the shifts resulted in a deepening isolation from the West and the Arab world.

Beginning in 1974 a more flexible approach in the conduct of foreign *relations*, if not in the language of foreign *policy* could be discerned. The shift reflected Iraq's new oil wealth and the Baath government's new self-confidence. Now the government of Iraq is beginning to seek recognition and influence through ties with its Arab and non-Arab neighbors as well as with the West. Iraq under Bakr and Saddam Husayn is re-emerging as a participant in the affairs of the Arab world, the Gulf and the West. Instead of isolation, participation; instead of confrontation, cooperation.

Despite the changes in government and politics in Iraq in the past several decades, a continuum can be noted. Relations with the outside world are determined by internal necessity, by the need for political stability, economic development, military defense. Where Nuri relied on Western alliances to strengthen and maintain Iraq's independence, the Baath have depended on Soviet assistance for the same purpose.

#### *A. Relations East . . .*

Since 1959 the Soviet Union has supplied Iraq with military equipment and training, loans and technological assistance. By 1963 Iraq was completely dependent on the Soviets for military equipment. Relations had cooled by 1968, however, and the Soviets greeted the Baath coup of that year with mixed emotions, remembering the 1963 repression of the CPI.

Rapprochement with the East began in 1969. Aid and trade agreements were signed with the Soviet Union, East Germany was recognized, and a series of high-level visits were begun—the most notable being Saddam Husayn's trip to Moscow in 1970 and 1972 and Kosygin's to Baghdad in 1972 (the first visit to Iraq by a high-ranking Soviet official). The Kosygin visit produced a major step in Soviet-Iraqi relations—the 15 year Treaty of Friendship and Cooperation. The treaty provides for political, economic, cultural and military cooperation with regular consultations to be held on international issues affecting mu-

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<sup>24</sup> From 1960 through 1970 the average share of Iraq's exports to the US was 6.7 percent and to the Soviet Union 6.7 percent. Republic of Iraq, Ministry of Planning. *Statistical Pocketbook 1960–1970* (Baghdad, 1972), pp. 156–157. [Footnote in the original.]

tual interests. A 1974 trip to Moscow by Saddam Husayn resulted in an agreement on cooperation in the development of nuclear energy for peaceful purposes. Other agreements for weapons, development credits, land reclamation projects, railway construction and industrial development have been signed with Czechoslovakia, Hungary and Poland.

Aid, trade and oil had created dependence by the mid-1970s. Soviet assistance in the development of the North Rumaylah oilfields and construction of the pipeline to Fao were to be repaid in Iraqi crude oil. The plants and goods supplied by Eastern Europe were repayable in crude. Iraq had become the principal foreign supplier of crude oil to the Soviet Union and Eastern Europe. Given Iraq's isolation from its Arab neighbors and doctrinaire treatment of Western imperialism, this was the only course open if defense and development needs were to be met.<sup>25</sup> Iraq also invested in the East—it is the only OPEC member to have a major portion of its foreign assets in Communist countries. A recent study estimated that 60 percent of Iraq's foreign exchange holdings of \$3,900 millions were deposited in Soviet, Hungarian, East German, Polish and Chinese banks with 40 percent located in the West (including 5 percent in New York).<sup>26</sup>

Iraq thus has benefitted greatly from its relations with the Soviet Union. However, it should not be written off as a "client" state. The Soviet Union has modernized Iraq's military, providing up-to-date weapons and training and there are Soviet advisors present in the country. In addition, the Soviets built the port of Umm Qasr at the head of the Gulf and expanded al-Habbaniyah airfield. Yet they have not been permitted military use of either facility. And it is not likely that Iraq would permit extensive use of port and airfield facilities by the Soviets other than for aid and arms delivery. Arming Iraq may serve Soviet political purposes, but Iraq supports Soviet foreign policy goals only where they suit Iraq's policies and purposes. For example, for the Soviets Iraq becomes a link in an Asian "zone of peace," part of an encirclement of China and an entry to the Persian Gulf.<sup>27</sup> Clearly, this coincides with certain Iraqi strategic goals, including balancing a pro-American Iran; the Baath government talks of the Gulf and the Indian Ocean as a "zone of peace" to be free of great power domination,

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<sup>25</sup> From 1959 to 1967 Soviet aid to Iraq totaled \$188.1 million. From 1969 through 1973 the amount of aid extended by the Soviet Union to Iraq equaled \$382.5 million. Of the latter sum, \$330 million was for oil exploration and development and \$22.5 million for agriculture. [2 lines not declassified] [Footnote in the original.]

<sup>26</sup> [2 lines not declassified] Iraq's foreign assets have increased from \$1,560 million in 1973 to \$3,855 million as of 30 June 1975. [Footnote in the original.]

<sup>27</sup> A decline in Soviet-Iraqi relations would produce only a symbolic improvement in Sino-Iraqi relations. [Footnote in the original.]

i.e., no new American bases. However, Iraq also advocates equal access to the Gulf by all powers, Iranian and Iraqi, Soviet and American. If this implies putting the US on an equal footing with the USSR, the Soviets may not be happy with Iraqi policy on Gulf security.

There are other areas of disagreement between the Soviet Union and Baathist Iraq. The Baath has not appreciated Moscow's professed sympathy for Barzani and Kurdish autonomy and has refused to increase the role of the CPI in a broadened National Front. Iraq has not approved UN Security Council resolutions 242 and 338 on the Arab-Israeli conflict nor does the government support the reconvening of the Geneva Conference, measures the Soviet Union has urged on the confrontation states. The Soviets, in turn, were not enthusiastic about the Algiers Accord and have failed in attempts to mediate the disputes between Iraq and Syria, both recipients of Soviet aid. A greater dissatisfaction in Soviet-Iraqi relations, however, is the issue of financing future development and repayment for aid. The barter arrangements of the early 1970s no longer work to Iraq's advantage. The price the Soviet Union "pays" for Iraqi crude oil was set by agreements pre-dating the 1973–1974 oil crisis; at the same time the Soviets have been reselling Iraqi crude to Eastern and Western Europe for hard currency and at much higher prices. Clearly, Iraq would prefer a different arrangement, the direct sale of its oil to Europe and for hard currency as well.

Oil revenues have relieved Iraq of the need to depend economically on the Soviet Union as the only available source of military or financial assistance. In 1974–1975 Iraq spent as much for French and British military hardware as it spent on Soviet arms.<sup>28</sup> While this hardly constitutes a trend, the Baath would like to be more independent of the USSR. Relations, both economic and diplomatic, with Western Europe and the US could serve as the means the Baath will use to encourage and strengthen this independence. However, the government is not about to upset relations with the Soviets. In a visit to France in September 1975, Saddam Husayn noted that "the replacement of Soviet arms is not an objective of Iraqi policy, which is founded on the protection of national and Arab interests. Our international relations are determined by this principle." Relations between the Soviet Union and Iraq will continue to reflect both cooperation and contradiction. The Soviets in future will have less leverage on Baath political behavior or foreign relations. They will not come to any clearer understanding of the Syrian-Iraqi estrangement nor will they be able to orchestrate a solution

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<sup>28</sup> In 1974–1975, of a total \$1,468 million spent in arms orders, 43 percent (\$636 million) were in Soviet arms, 31 percent (\$462 million) to France, and 9 percent (\$128 million) to Great Britain. [*1½ lines not declassified*] [Footnote in the original.]

there. It is the independence which Iraq insists on maintaining that will alternately warm and cool the relationship with the Soviet Union.

*B. . . . and West*

Saddam Husayn in an April 1974 speech:

... we do not have any sensitivity or complex against dealing with any company in the world providing that this is on a basis that would preserve our sovereignty and guarantee legitimate neutral benefit by domestic, national and international criteria.

Secure in its political control, confident of internal unity with the defeat of the Kurds, anxious for rapid economic development, Iraq has turned a tentative eye to the West. Interest in encouraging Western sources of trade, investment capital and technological expertise dates back to mid-1973 and coincides with the rapid rise in government revenues as well as with the Baath desire to end its international isolation and dependence on a single source of assistance. It has led to contacts and contracts with Western European and Japanese companies for projects ranging from natural gas liquification, chemical fertilizer and cement plants to agreements on the peaceful uses of atomic energy. The results can be measured both in terms of contracts awarded and the increased flow of trade and investment credits.

In recognition of France's "neutrality" in the 1973 Arab-Israeli war and her correct stance on the Palestinian issue, Saddam Husayn signed an agreement in September 1975 with the French Government pledging nuclear cooperation, oil and trade concessions. France pledged to build and equip a nuclear reactor and power plant and to train Iraqi technicians in its use and maintenance. Iraq in turn agreed to provide 15 percent of France's petroleum needs at preferential rates and to award 80 percent of its development projects to French companies. The terms of the agreement are a bit unrealistic and France has yet to implement its part. Moreover, considering France's past difficulties in completing its contracts and the reluctance of French companies to fulfill Iraqi requests, it is unlikely Iraq will award France 80 percent of its development contracts. In a similar exchange for oil, Japan modified its Arab-Israeli policy and extended credits to finance several major projects in Iraq. An agreement with Italy on atomic energy was concluded in January 1976 and contracts were awarded recently to Swiss and West German companies for subway construction.

Of the Arab countries which broke relations with the US in 1967, only Iraq has not resumed diplomatic relations. When questioned recently on the possibility of resuming relations with the US, Saddam Husayn responded, "This will happen when suitable conditions are created." When asked if he believed that such conditions were to be created in the near or distant future, the Deputy replied, "Such a ques-

tion is not asked in politics." But the issue of reestablishing formal diplomatic recognition with the US is very much a question of politics. On the ideological level, an anti-American stance is popular domestically, especially given Iraq's perception of America's ability to influence events in the Middle East through its relations with Israel. This logic extends not just to Israel. The Baath leadership also sees American collusion in Syria's intervention in the Lebanese civil war.

Yet the rhetoric of Arab liberation has not kept the Iraqis from buying US goods. The value of American exports to Iraq has increased from a 1965 level of \$20 million to a 1975 level of \$309.7 million (See Table 4).

Bakr and Saddam Husayn see some advantage in bettering relations with the US. The government is encouraging open bidding on contracts and would like American assistance in acquiring computer technology, military equipment and grain. Closer economic ties with the US could also be used to counter Soviet influence, but this is not a major element in determining either Iraqi-Soviet or Iraqi-American relations. The Baath are not eager, at this point, to re-establish official links with the US. As long as the absence of diplomatic recognition does not exclude Iraq from American commercial investment, there would seem to be little incentive to renew those ties.

**Table 4**  
**American-Iraqi Trade 1972–1975 (in \$ Million)**

	1972	1973	1974	1975
Value of US Exports to Iraq	23.3	55.9	284.7	309.7
Value US Imports From Iraq	9	15.8	1	22.6

Source: Department of State, *Annual Economic Trends Report for Iraq*. UNCLASSIFIED, 18 March 1976.

### *C. Rethinking Arab Unity*

Baath policy towards its Arab and non-Arab neighbors has shifted significantly since 1973. For the first several years of their rule, the Baathists in Iraq were more interested in subverting their neighbors than in cooperating with them. Iraq has sponsored Arab and Baluchi opposition to the Shah in Iran, tribal opposition to the Saudis and guerilla activities in Kuwait, Oman, Yemen and Jordan. Iraq's deepest enmity, however, is reserved for the "impure" Baathists of Syria. It is a measure of their new sense of stability that the Iraqi Baathists now want to participate in Arab affairs. They seek recognition and prestige through policies which stress cooperation in Arab affairs and unity in alliances with the established states of the Middle East.



### *1. Relations with Syria*

As early as 1920, before either was a recognized state, Syria and Iraq attempted to establish a political and economic union under the Hashimites—Faysal as King in Syria, his brother ‘Abdullah King in Iraq. This dream of union persisted beyond the 1920s. Nuri al-Said advocated Arab union through the Arab League of the 1940s and through a hoped-for Hashimite federation in 1958 with the Kingdom of Jordan. As late as the 1960s the brothers Arif talked of a pan-Arab unity. In 1963 schemes for union came closest to realization when Baathist revolutions occurred in Syria and Iraq within one month of each other. Events since then however—the coups of 1966 and 1970 in Syria and intraparty purges—have brought to power in both countries Baathist regimes concerned more with maintaining their own ideological purity and subverting the other than with union.

Today the disputes with Syria range from water control to support for the Palestinian fedayeen in Lebanon. It is not the issues which are important so much as it is the dialogue in which they are cast. In the Euphrates Dam issue, Iraq accused Syria of withholding water for political purposes, thereby causing crop failure and ruin for Iraq’s cultivators. Iraq is currently withholding oil from Syria while the two dispute the transit fees Syria charges and the price Syria pays for the high quality Iraqi crude. Syria has supported and encouraged the Kurds to rebel against the Iraqi Government.

The recent round of civil war in Lebanon has highlighted the rivalry between the Syrian-supported Saiqa and the Iraqi-supported Palestinian Rejection Front. The Iraqi Baath opposes Syrian intervention in Lebanon and Syrian attempts to impose a solution on the political crisis there. Iraq would prefer a coordinated rejection front of Algeria, Libya, Syria and Iraq; this would maintain an Iraqi presence in Lebanon and ostensibly limit Syrian action against Iraqi-backed fedayeen. Iraq continues to urge Syria and the other confrontation states to join in a northern front against Israel. If Syria will reject Security Council resolutions 242 and 338, and renounce both the Golan peace-keeping force and the reconvening of the Geneva Conference, then Iraq will join with Syria in the establishment of a northern military front and send troops to the border. However, barring the outbreak of a new war with Israel, Syrian President Asad will not want Iraqi troops present in his country—troops which could support a coup or challenge Syrian control of fedayeen activities.

Underlying these issues, then, are deeper conflicts—the rivalry between Damascus and Baghdad, each claiming to be the legitimate center of the pan-Arab Baath organizational structure, and the rivalry between Hafiz al-Asad and Saddam Husayn, each seeking prestige in Arab affairs. Continued attempts by the BPI to subvert the “illegiti-

mate" Syrian regime and to replace it with one congenial to Iraq cannot improve the situation. Nor can the fact that Iraq still shelters Syrian leaders ousted by the Damascus regime calm the situation.

## *2. Towards an Arab Policy?*

Although relations with the Syrian Arab Republic would seem to belie the point, Arab unity has been a constant and recurrent theme in Iraqi politics and policy. In the early years of the regime, the Baathist concept of an Arab policy was to confront and oppose all forms of imperialism, Zionism and reaction wherever perceived while pledging support to all liberation movements. While not disavowing this interest, Iraq recently shifted its Arab policy to a more positive stance. Instead of pledging the usual "firm and comprehensive struggle" against the "agent reactionary" Arab states, the Baath leadership now believes

... that it is in the interests of the movement of unity and development and the Arab citizen in every part of the Arab world that ideological and political differences and disputes among Arab regimes should not obstruct, under any circumstances, the extension of the bridges of cooperation on a wider scale among all of these regimes and states.

From refusal to treat with the conservative Arab states, then, Iraq is looking now to establish normal, legitimate relations with Egypt, Saudi Arabia, Jordan and the Arab states on the Gulf. These shifts are reflected in Iraq's relations with Egypt and Jordan. In November 1974 Iraq and Egypt signed a protocol pledging economic and technical cooperation. While Syria was severely criticized for agreeing to a UNEF extension on the Golan, Egypt was not chastized by the Iraqi Government for Sinai II. Rather, Syria was accused of "letting Egypt run interference" for Damascus. Iraq noted the "objective circumstances" which produced for Cairo "a direct and frank and consequently complex" approach whereas Syria was guilty of "apostasy," of "hostility to Arab interests" and of "pretense" in pursuing a defeatist settlement. Egypt was offered oil, economic assistance, the settlement of Egyptian farmers on Iraqi land and a pledge of noninterference in its relations with the US.

What had been "reactionary, fascist, defeatist" Jordan in 1970 became "sisterly" Jordan in 1975. Jordan was now included in the invitation to join the northern front and given a \$23 million loan to finance construction of the port of Aqaba. Jordan's relations with Syria may make it suspect in Iraqi eyes but so far this has not affected Amman-Baghdad relations. What has been affected is Iraq's position towards the Palestinian fedayeen. There were indications prior to the latest round in the Lebanon civil war that Iraq was reconsidering its total support for the Rejection Front and its tactics. However, events in Lebanon have provided the catalyst for increasing Iraqi support and financial assistance to the pro-BPI fedayeen as well as to the PLO and Yasir Arafat where they are in opposition to Saïqa and other pro-Syrian ele-

ments. Iraq, as noted, would prefer a concerted Arab solution for Lebanon and a shift back to concentration on "the Zionist entity." In the event of a new Arab-Israeli war, Iraqi forces would be sent to the front but their effectiveness would depend on the extent and duration of hostilities. The longer the war, the more effective Iraqi participation would be, given the political and logistical problems involved in transporting soldiers and equipment.

Baathist Iraq then is evolving an Arab policy based on conciliation and unity in matters diplomatic and economic. Through this approach, Iraq hopes to end its isolation from the Arab world and to play a role in the politics of the Middle East. It is a careful and calculated policy in pursuit of prestige and legitimacy. Its success and any implications for the future must be measured in light of one other major area of potential Arab conflict—the Gulf.

### *3. A View of the Gulf*

Iraq would like to apply its new reasonableness to establishing relations with the Gulf States and agreement on Gulf security arrangements. The policy is receiving its major test in relations with Iran. The Shah of Iran and the Baath leadership in Iraq view each other with mutual distrust and suspicion; relations have been marked by fears of military aggression, expansionism and the export of ideology. The disputes have varied from the territorial to the religious. Iran for years supported the Kurdish rebellions in Iraq while the Baath have encouraged resistance to the Shah. Both countries have large Shiah populations and both have restricted pilgrimages to shrines and centers of learning. Iran's occupation of several islands in the Gulf and her control of the Straits of Hormuz further heightened Baath fears for exporting its oil or its politics through the Gulf.

It is in this context that the Algiers Accord of 6 March 1975 must be placed. Certain aspects of the Accord have been noted already. The Shah and the Deputy agreed on the demarcation of land and maritime borders and on the restoration of security and mutual confidence by controlling the borders and ending all acts of subversion. In subsequent negotiations the land boundaries were determined according to 1914 treaties while navigation rights and boundaries of the Shatt al-Arab were settled to Iran's satisfaction, the *thalweg* line. The border settlements, as well as Iraq's concession of all claims to Arab Khuzistan, were in Iran's favor. But Iraq gained much in exchange; it gained a large measure of political stability as well as secure oil lanes through the Gulf. With the Accord, Iraq seems to recognize that Iran and Oman control the Straits through which tankers carrying Iraqi crude must pass. It is an admission that Iraq cannot militarily challenge Iran's presence in either the Gulf or Oman.

"Peaceful coexistence among the Arab States situated in the Arab Gulf" is the avowed policy of Baathist Iraq. Whether it will bring Iraq into conflict with the other Gulf States or into "sincere cooperation and solidarity" is not clear. Despite differences between the Saudis and the Iraqis, Saddam Husayn noted recently that "we are 100 percent with Saudi Arabia in every effort and in every stand it takes to preserve the Arabism of the Gulf and to protect the Gulf States." As part of its policy of Arab cooperation, Iraq and Saudi Arabia have agreed on demarcation of the Neutral Zone, construction of a road between Najaf and Medina (to facilitate pilgrimage traffic) and an end to anti-Saudi propaganda. Saudi Arabia, in turn, has loaned Iraq \$200 million and is sponsoring Iraq's inclusion in Arab organizations, e.g., the Arab Health Organization.

Cooperation and participation in Arab affairs are very much in style in Baghdad. In January 1976 Iraq joined with Bahrain, Kuwait, Saudi Arabia, Qatar and the UAE in establishing an Arab shipping company and signed an agreement to participate in the establishment of the Gulf International Bank and an Arab monetary fund.<sup>29</sup> Earlier, in November 1975, Iraq and Bahrain signed a three year trade and economic agreement calling for formation of a joint committee to implement trade agreements on agricultural and industrial products, raw materials, tourism, investment and manpower.

Iraq's new policies have not erased memories of past actions. The Baath do not have a pacific history in the Gulf region and several areas of conflict remain to be settled before their Arab policy can be realized. Iraq has long argued for the liberation of the Persian Gulf, and has supported guerrilla movements and political organizations in Kuwait, Oman, South Yemen and Bahrain. Both Saudi Arabia and Iran have been wary of Baath motives and continue to fear the spread of communism and revolutionary ideology by Baath-supported groups. Kuwait, the object of an "incursion" in 1973, became in 1975 "a fraternal and dear country . . . There will never be any problem of any sort between us and Kuwait and we will not ask Kuwait to do anything we would not ask ourselves to do." However, the dispute between Iraq and Kuwait over possession of the Bubiyan and Warbah Islands and control of the Kuwaiti right bank of Khawr Zubayr is not likely to be settled soon.

The larger issue, however, is that of Gulf security. Iraq has defined Gulf security in terms of freedom of navigation, a zone of peace, and

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<sup>29</sup> Iraq is a member of four joint-venture companies established on the recommendation of the Arab Economic Unity Council: the Arab Investment Company headquartered in Riyadh, the Arab Company for Mining in Amman, the Arab Company for Livestock Resources in Damascus, and the Arab Company for Agriculture and Food Production in Cairo. Iraq is also a major contributor to the Arab Monetary Fund, set up in May 1976. [Footnote in the original.]

Saddam Husayn has offered "to discuss the establishment of a joint defense plan with Saudi Arabia as well as a joint naval fleet without jeopardizing Iran's rights in its territory. What matters most," he continues to emphasize, "is the Arab nature of the Gulf." Iran is promoting regional security in terms of defense pacts and control of any foreign vessels in the region. Would Iran preclude all non-Gulf, i.e., Soviet and American, ships from the Gulf while Iraq would allow both? The Shah has stated that "Iran is determined to become strong enough to defend the region all by itself, although obviously, we would prefer to cooperate with all the states in the region on an equal footing." Given Iran's ambitious naval program, and the suspicions it raises in both Iraq and Saudi Arabia, agreement on any Gulf security arrangement may not be possible.

For several reasons—stability at home, secure oil lanes, an end to isolation, a need for prestige in the Arab world—Iraq has made peace, at least temporarily, with the states on the Gulf. This does not mean that Iraq accepts the status quo in the region or that the Baath accept the "Persianization" of the Gulf from the Shatt al-Arab to the Straits of Hormuz. Iraq will continue to stress and support "every effort and every stand aimed at preserving the Arab nature of the Gulf." And Iraq will continue to pursue a policy of cooperation, of conciliation, of Arab unity as long as it benefits her. Relations between Imperial Iran and Republican Iraq could stalemate over these issues, however, and relations between Iraq and the other Arab states of the Gulf will remain tenuous at best. Until the BPI disavows support for Gulf radicals the Gulf States will not trust Baath motives or intentions.

#### *V. Implications for US Policy*

Although Iraq and the US recently reaffirmed a 1938 treaty on commerce and navigation, prospects for the renewal of diplomatic relations between the two countries are not good for the near future. Current Iraqi policies hold few direct implications for US interests. Iraq does not require foreign financial assistance nor does it seek secure, long-range investments in foreign countries for its petro-dollars. The country does need help from the more technologically and scientifically advanced nations to implement development projects and training programs. The Baath government would like to obtain such assistance from the US and acquire as well computer technology, military hardware, communications equipment, and grain in a bad harvest year. Would diplomatic recognition make a substantive difference in US-Iraqi relations? Not really; lack of diplomatic recognition is not a barrier to aid and trade per se. Nor would recognition necessarily bring Iraq the items or the alterations in American policies it would like. Nonrecognition also allows the Iraqi Government to use its ideological rhetoric against any friend of Israel. However, Iraq will continue to

probe the US to see what can be obtained without making any concessions of its own.

Despite the recent decrease in Soviet leverage in Iraq—the USSR is unable to influence either domestic politics or foreign policies toward Syria or Egypt—and despite the also recent increase in volume of trade with the US, Iraq will continue to depend on the USSR for the bulk of its arms supplies. Although the Baath government might like to limit its dependence on the USSR, a further decrease in Soviet leverage or influence on Iraq will not produce a corresponding increase or improvement in American-Iraqi relations. There is no reason to assume that Iraq will use its increased contacts with the West and the US to counter Soviet influence in the country.

If there are to be changes in US-Iraqi relations, then, other more indirect factors must be considered.

—Iraq views the Gulf as a “zone of peace,” implying opposition to any militarization of the region and to the establishment of any foreign military bases. This could mean recognition of both an American and Soviet presence in the Gulf for peaceful and commercial purposes. It does mean opposition to any American military presence, and means, by extension, opposition to American military presence in the Indian Ocean.

—If the US were to assist Iran in establishing a nuclear capability or in any further build-up of Iran’s Gulf fleet, this would impair US-Iraqi relations because of the heightened fears of Iranian and American intentions in the region.

—If Iraq’s current policy of cooperation in Arab economic affairs and of establishing routine and legitimate relations with other Arab states succeeds, then Iraq may look more favorably on establishing broad ties with the US, especially in regard to trade, development and other areas of mutual interest which it would then be willing to define.

—If snags develop in discussions between Iraq and Saudi Arabia, Egypt or Jordan, then Iraq might not look as favorably at the US but would, once again, question its motives and intentions.

—In Iraq’s view, the US exerts great influence on Israeli actions. If the US were to alter its position regarding Israeli-Palestinian affairs, pressure Israel to withdraw from occupied territories and recognize the PLO (but not the pro-Syrian Saiqa), then Iraq might confer diplomatic recognition as a reward. The problem here is two-fold: first, Iraq has not so much spelled out its terms for an acceptable Palestine solution short of total war as it has spelled out what Syria must do to win the war and Iraqi cooperation. Second, Iraq claims that the US is in collusion with Syria in the Lebanese civil war in order to effect a pro-Syrian—and hence anti-Iraqi—settlement. The question is whether

this, too, is propaganda for public consumption in the ideological war with Syria or a genuine article of faith.

—Before the current phase of the Lebanese war, there were indications that Iraq was toning down its support for the radical fedayeen and for Arab terrorists. Iraq is seeking prestige, respectability, influence, especially among the nonaligned nations. If the Lebanese-Syrian conflict could be subtracted from the equation, then a more subdued Iraqi policy regarding terrorism and the fedayeen might be possible and consequently might provide a further base to touch with the US.

There is little likelihood of change in US-Iraqi relations, given the current regime's perception of US policies and given American support for its allies in the region—Saudi Arabia, Iran, Israel. In sum, Iraq remains outside the periphery of American interests in the Middle East. The prevailing Iraqi attitude towards the US—cool, slightly suspicious but not overtly hostile—is perhaps the best that can be expected, again given the fundamental divergence of interest. So long as Iraq finds it advantageous to bar Soviet military use of its facilities and to seek stability in the Gulf, it contributes, albeit inadvertently, to overall US goals in the Middle East.

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### **318. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, November 2, 1976, 0945Z.

1633. Subject: Insurgency in Kurdistan. Ref: Baghdad 1421.<sup>2</sup>

1. USINT source reported that following information was obtained from his neighbor, Major Salman Yasin, the political guidance officer of the Arbil command and former political guidance officer of the Air Force.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760407–1161. Secret. Repeated to Amman, Ankara, Cairo, Damascus, Jidda, Kuwait, Tehran, London, and Moscow.

<sup>2</sup> Telegram 1421 from Baghdad, October 2, reported that the infiltration in northern Iraq by Kurds under Jalal Talabani's leadership was increasing, via the Syrian border. To restrict Kurdish movements, Turkey and Iraq agreed to depopulate a border area of 25 kilometers on each side of the international boundary. The Iraqi Government, the report concluded, was apprehensive over the possibility of U.S. support for the Syrian-based insurgents. (Ibid., D760372–1292)

2. The GOI believes that approximately six hundred Kurdish partisans controlled by Jalal Talabani have recently been infiltrated into Iraq from Syria. After crossing the border, these partisans operate in the Zakho area until they are prepared to risk moving through the recently depopulated zone along the Turkish border on their way to Galala and Haj Omran. The center for Kurdish guerilla activity has now shifted from the Turkish border area further east to Haj Omran, where the few remaining Talabani followers in Iran are able to join the partisans. Kurdish partisans are not slipping across the sealed Turkish border nor are they coming from Iran.

3. There are no indications that Barzani supporters are involved in this insurgency. Recruitment by Talabani group in Haj Omran probably assisted by resentment over GOI "land reform" program in Kurdistan. In an attempt to break the power of influential tribal leaders, in past year GOI has resettled Kurdish peasants in areas outside their traditional tribal domain.

4. The Iraqi Army has not suffered serious casualties and does not believe that the Kurds have been able to bring in heavy military equipment. Nonetheless, the army is now on full alert in the north and some soldiers and a substantial amount of military hardware have very recently been moved from the Syrian border to Kurdistan. The command headquarters formerly located in Arbil has now been moved to Balala.

5. Iraqi Government is concerned that increased insurgent activity in areas away from Syrian border and particularly harsh weather in Kurdish mountains this winter could demand larger commitment of Iraqi resources than previously anticipated. GOI, however, remains convinced that Kurdish guerilla warfare can be contained.

6. *Comment:* Apparently generous amnesty offer to Iraqi Kurds in Iran, extension of deadline for amnesty, and dispatch of Iraqi Internal Trade Minister, Ali Hassan, to Iran to request return of Iraqi Kurds may convince some potential partisans to hesitate before again resisting the Baghdad government. Nonetheless, Iraqis who have been willing to discuss subject feel that almost none of approximately 1,000 Kurdish families who have returned under amnesty program have been allowed to stay in Kurdistan, and Kurdish insurgency, particularly near Zakho, is rapidly picking up steam.

7. The Iraqi Government has not repeat not publicly admitted that any disturbances have taken place in the north. If this regime is forced to publicly acknowledge this Syrian-based Kurdish insurgency, the United States, often accused in Iraqi press of collaboration with Syria in Lebanon, may well be publicly condemned by GOI for instigating new Kurdish revolt.



**319. Telegram From the Interests Section in Baghdad to the Department of State and the Embassy in Iran<sup>1</sup>**

Baghdad, November 6, 1976, 0733Z.

1653. Subject: Iraqi-Soviet Relations. Ref: Tehran 10827 (Notal).<sup>2</sup>

1. If appropriate opportunity arises, would appreciate it if Ambassador Helms would attempt to draw Shah out on specifics of how Iraq is acting as surrogate of Soviets. As we see it from Baghdad, Iraqi regime consists of group of prickly and hardened revolutionaries who accept socialist principles but act very much on the basis of their own perceptions of Iraq's national interests. They are a difficult bunch to do business with, and we doubt that they change their stripes when dealing with the Russians. As USG has found out in past, role of arms supplier does not, in itself give supplying country control over policies of receiving state, particularly in situations where receiving state perceives its own national interests to be at stake.

2. As far as security arrangements for Gulf are concerned, there is undoubtedly a parallel interest between Iraq and the Soviet Union in that both countries, for reasons of their own, would prefer that Iran not become the dominant power in the area. In other parts of the Middle East, however, as well as in Iraq's internal politics, there is a definite and increasing divergence of interests between the two countries. Soviet support for the Syrian regime, Soviet approval of the Cairo summit,<sup>3</sup> Soviet acquiescence in the Syrian intervention in Lebanon, and the Soviet call for a resumption of the Geneva Conference are all factors adding to the current tension between Baghdad and Moscow. Iraqi regime has pushed hard for more Soviet support in its bitter dispute with the Syrian regime but has little to show for its efforts.<sup>4</sup> We have heard that Iraq was particularly disappointed that U.S.S.R. did

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760414–1103. Secret; Exdis. Repeated to Abu Dhabi, Amman, Ankara, Beirut, Cairo, Doha, Jidda, Kuwait, Damsacus, London, Manama, Moscow, Muscat, and Tel Aviv.

<sup>2</sup> Telegram 10827 from Tehran, October 31, conveyed the Shah's view that the Iraqis were behaving as surrogates of the Soviets, increasing their build-up of Russian arms and balking at efforts to resolve the Lebanese crisis. (Ibid., D760406–0355)

<sup>3</sup> Apparent reference to the Arab League summit held in Cairo on October 25.

<sup>4</sup> According to telegram 1634 from Baghdad, November 2, Iraq was convinced of the futility of the Arab League's diplomatic efforts at the Riyadh and Cairo summits in October to resolve the Lebanese crisis, which granted Syria a mandate to maintain 30,000 troops in Lebanon to keep the peace, and forced PLO fighters out of central Lebanon. Iraq considered this outcome a "capitulation to imperialist-Zionist forces and a first step towards a sell out of Arab rights in Palestine." (National Archives, RG 59, Central Foreign Policy Files, D760409–0529)

not give Iraq more help in its dispute with Syria over the Euphrates River waters.

3. Believe we should also remember that Baath Party is at least as much Arab nationalist as socialist. We doubt very much that Iraq would be willing tool of Soviets on any issue which they perceive as touching on their Arabism. Emphasis on Arab nationalism is one principal difference between Baath Party and Communist Party of Iraq. Baath Party is very jealous of any potential rival power center and keeps Iraqi Communist Party under very close surveillance. Death penalty is imposed on a Baath Party member who also joins Iraqi Communist Party.

4. Baathi regime is almost neurotically sensitive to foreign influence or presence and keeps at least as tight a watch on Russians and East Europeans in Iraq as they do on Westerners. They also have vivid memories of past military occupations by Turkey and Great Britain and are particularly sensitive to any suggestions of a foreign military presence on their "sacred" soil. This sensitivity applies to the Soviets as well as to the West.

5. Last, but not least, Iraqi economy is now becoming increasingly interrelated with Western Europe, Japan, and the United States. Imports of goods and transfers of technology from these countries continue to climb as Iraq's economic ties with the U.S.S.R. and Eastern Europe become relatively less important. With the 1973 increase in oil prices, Iraq began earning enough foreign exchange to meet its developmental requirements and no longer had to depend on economic assistance from the socialist bloc.

6. We can understand why Shah might see some advantage in attempting to convince USG that Iraq is hopeless tool of the Soviets, but believe we should be careful not to accept this view in formulating our own policies. On the contrary, the growing tension between Iraq and the Soviet Union is something that we might be able to exploit to our advantage as future developments unfold.<sup>5</sup>

**Wiley**

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<sup>5</sup> The Embassy in Iran responded in telegram 11397 from Tehran, November 15, acknowledging that the Shah was too prone to accept any negative report about the Iraqis, but pointing out that the fact that the Iraqis had repeatedly turned to the Soviet Union for political and economic support could not be disputed. (Ibid., D760425–0947)

**320. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, November 28, 1976, 0546Z.

1745. Subject: USG and the Arab Boycott.<sup>2</sup>

1. One of Iraq's most important private sector importers told me on November 20 that he had observed a definite hardening of GOI position in recent weeks against U.S.-Iraqi commercial relations. While last summer he had been encouraged to explore possibilities for contracts with U.S. firms and even visited the United States with the blessings of the GOI, he is now being told to hold off on any business arrangements with U.S. companies. He attributed situation to growing GOI concern over USG action with respect to Arab boycott.

2. We have also been advised by another USINT source that Baath National Command is preparing a proposal to circulate to other Arab countries through the Iraqi Foreign Ministry calling for a boycott by all Arab states of United States goods and services if proposed US anti-boycott legislation becomes law.<sup>3</sup> According to source, GOI is considering applying a boycott against U.S.-Iraqi commercial relations, but has decided first to sound out the other Arab states on the possibility of establishing a unified Arab position.

3. Decision of Bank of America to stop handling all letters of credit containing boycott of Israel language has also jolted Iraqis as Bank's action came without warning and affected a number of transactions in mid-stream. Oil Ministry also resents the holding up of shipment of spare parts for oil refinery unless oil refinery's administration agrees to change its usual boycott practices. (State 284765)<sup>4</sup> Iraqis view this as a form of blackmail as USG was not enforcing anti-boycott measures when original contract for refinery equipment was signed.

4. GOI officials strongly resent statements in U.S. media linking Arab boycott to racism. They argue that boycott of Israel is not based on anti-Jewish racism among Arabs any more than U.S. boycott of Cuba is based on anti-Cuban racism among Americans. They dismiss the rela-

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760441-0005. Secret; Exdis. Repeated to Abu Dhabi, Amman, Damascus, Doha, Cairo, Jidda, Manama, and Tel Aviv.

<sup>2</sup> Although the Arab League had maintained an official boycott of Israeli companies and goods since 1948, Arab countries in recent years had expanded the boycott to include U.S. companies that did business with Israel or were owned by American Jews.

<sup>3</sup> Congress was considering legislation to block U.S. companies from complying with the Arab boycott by denying them tax benefits.

<sup>4</sup> Dated November 19. (National Archives, RG 59, Central Foreign Policy Files, D760432-0704)

tively few instances of documented anti-Jewish discrimination as mistakes by junior officials which have since been corrected and argue that parties hostile to the Arabs have seized on these few lapses and used them to misrepresent the essentially political thrust of the Arab boycott.

5. *Comment:* I believe we have already reached point in this boycott affair where our commercial ties with Iraq are being seriously jeopardized. Iraqis are beginning to have doubts about reliability of U.S. as trading partner if USG is as susceptible to Zionist pressure groups as it now appears to them to be. Iraqis will be reluctant to enter into major project commitments or major purchase contracts requiring subsequent spare parts or servicing arrangements if there is danger that USG, acting under domestic political pressure, will change rules of the game after GOI has made major investments. Since Iraq is about to launch into major development programs that would involve expenditure of \$35 billion over next five years, freezing out of U.S. companies is obviously a matter of serious concern, particularly when combined with potentially even more serious consequences for our commercial ties with Saudi Arabia and other Arab countries.

6. Much of the emotional heat that has made this subject so difficult for the Executive branch to deal with has been caused by the widespread confusion in the United States media on the true nature of the boycott. There seems to be a general assumption in the United States that Arab actions are based on racism, and that it is therefore immoral for the USG to permit private firms to comply. It also seems to be widely assumed that selling goods to Israel, per se, is grounds for boycotting an American firm. In fact, the boycott is more limited in scope and is different in its essential purposes than it is generally portrayed. Its thrust is political, and like most political issues, the associated moral considerations could be endlessly debated. What cannot be debated is the fact that USG reaction to the boycott may do serious damage to the U.S. economy.

7. While not underestimating the PR problems included in broaching this emotional issue to the general public, I believe that the situation has now reached the point where a well planned public educational campaign by the Executive branch is essential to prevent serious damage to fundamental U.S. national interests. While there are limits to the extent to which the State Department can engage in public education activities, I believe that an effort by the P Bureau to convey to the public a somewhat more balanced account of the boycott situation could pay off handsomely in limiting the damage to U.S. interests. If nothing else, such an effort would have the effect of focusing debate on the true issues rather than on the irrelevancies that have so far marked most of the public discussion of this complex issue.

**321. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, November 30, 1976, 0631Z.

1771. NEA Distribution Only. For Draper from Wiley. Subj: Terrorist Activities Supported by Iraq. Ref: State 286710.<sup>2</sup>

1. Reftel sent routine and received November 29.

2. You have by now received Baghdad 1749<sup>3</sup> which is on subject of GOI support for terrorism.

3. In general, I believe USG has very limited leverage that could be used unilaterally on GOI and that the costs of using the little that we have would be high in terms of U.S. interests. On other hand, if we could act in concert with West Germany, Japan, and perhaps other NATO allies as well as Saudi Arabia, Egypt and other Arab countries, Iraqis might be forced to modify their support for terrorism.

4. Major pressure point is Iraqi desire for Western technology. Most important sources are now West Germany and Japan, with United States, United Kingdom, and France next in importance. Threat to cut off U.S. technology alone would carry little weight since almost everything GOI needs can be obtained from other sources. In fact, I believe GOI is already considering a sharp reduction in commercial relations with the United States in response to USG's anti-boycott actions.<sup>4</sup> Principal result of USG unilateral action would be to freeze U.S. companies out of Iraq's \$35 billion development program, and further reduce the already very limited U.S. presence in Iraq. On other hand, if Iraq were faced with the prospect of losing Japanese, West German and U.S. technology, and possibly that of UK and France as well, this would be a very serious matter for GOI. They would then be forced to turn once again to Soviet and Eastern European sources for their technology, which the Iraqis consider to be definitely inferior to that they

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760442–1215. Secret; Limdis.

<sup>2</sup> In telegram 286710 to Baghdad, November 23, NEA requested a list of potential pressure points that the United States could use to urge Iraq to cease or curtail support of terrorism. (Ibid., D760435–0840)

<sup>3</sup> According to telegram 1749 from Baghdad, November 28, the Iraqis denied complicity in the terrorist attack on the Intercontinental Hotel in Amman, Jordan, but admitted that they gave refuge to Palestinian groups and permitted them to carry out training activities in Iraq. (Ibid., D760441–0008)

<sup>4</sup> See Document 320. The Interests Section reported in telegram 68 from Baghdad, January 11, 1977, that in response to publicity on official U.S. anti-boycott activity, the Iraqi Government was hardening its position on the Arab boycott of Israel. (National Archives, RG 59, Central Foreign Policy Files, D770010–0181)

could obtain from the West. To put these considerations into context, in 1975 West German exports to Iraq were approximately \$1 billion, Japan \$700 million, and UK, U.S. and France all in range of \$300–\$400 million. Obviously, Iraqi market is very important to both West Germany and Japan, but these governments might react positively to argument that threat of terrorism could be reduced without loss of markets if Western nations act in concert.

5. Despite their frequently inconsistent policies, I believe that Iraqi regime is concerned about its political isolation, particularly among other Arab and third-world countries. If other Arab and third-world countries were to reduce their political contacts with the GOI because of their support for terrorism this too would have an impact. Even in the case of Western countries, Iraqi leadership hungers for greater international recognition and would like to be consulted more often by Western political leaders. It is even possible that “consultations” on terrorism by Western nations would be sufficiently flattering to their ego that they would respond by some reduction in their support for terrorist activity. In this connection, it should be noted that official position on terrorism is that they are opposed to all terrorist acts except those committed within the boundaries of Israel. Again, the key to this approach would be concerted action among Western nations. A unilateral approach by USG would carry little weight. A threat to reduce our already limited political contacts would have only marginal effect in Baghdad, but could have serious impact on our own capability to support U.S. commercial interests and to acquire information and understanding of what goes on in Iraq.

6. Another pressure point that might have some weight in Baghdad would be a joint approach by a majority of the Arab states, including Egypt and Saudi Arabia. Although they have a strange way of showing it, the Iraqi leadership is sensitive to its standing among its “Arab brothers”. If we could bring about a joint *démarche* to the GOI by a substantial number of the other Arab states, perhaps led by Saudi Arabia and Egypt, this would have an impact. Unfortunately, none of the other Arab states have demonstrated much backbone on this issue, even when they themselves are the victims of terrorism.

7. Believe that reconvening of Geneva Conference will be particularly dangerous time as rejectionist elements may then attempt to commit atrocities to disrupt conference. At that time we might consider organizing a coordinated approach to GOI by UN Secretary General, the co-chairmen of the Conference, and the participants. Although Iraqis are officially opposed to Conference, they are now taking a pragmatic wait-and-see attitude with Egyptians who discussed Geneva Conference with Iraqis during V.P. Mubarak’s recent visit to Baghdad. Iraqi regime might be flattered enough by a suitably worded high-level

approach in the name of the UN, that they would be willing to take steps to curb Palestinian extremists now in Iraq.

8. I would recommend against a unilateral USG protest to GOI. Regime might look upon such a development as an opportunity to score some propaganda points by publishing USG protest as evidence of GOI “steadfastness” in Arab and anti-imperialist causes.

9. In dealing with GOI on this issue, believe it important to keep in mind that Iraqi leadership achieved their present eminence through repeated use of terrorist techniques and terrorism to them seems a normal part of the political process. Approaches based on moral or humanitarian considerations would have little impact, although regime can be pragmatic when they perceive an Iraqi national internal interest to be involved. In this case, best pressure points, as noted above, are regime’s desire for Western technology and its concern over Iraq’s political isolation.

**Wiley**

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### **322. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, December 11, 1976, 0707Z.

1815. Subject: Situation in Northern Iraq.

1. According to usually well informed USINT source, situation in northern Iraq continues tense. Approximately, two weeks ago six Kurdish professional men, including a professor at Sulaimaniyah University, were tried and executed for forming a secret political organization. Executions took place in the jail at Kirkuk, and in accordance with Iraqi customs, the families were informed and asked to pick up the bodies. Families arrived at the jail in a convoy of about 200 cars and a spontaneous demonstration took place which required the intervention of the security forces to maintain law and order. The next day, school children in the home communities of the executed men all appeared in school wearing black as a protest and the schools were closed by the government. The government has quietly passed the word that depor-

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<sup>1</sup>Source: National Archives, RG 59, Central Foreign Policy Files, D760457–1094. Confidential. Repeated to Damascus, London, Moscow, and Tehran.

tation to the south will be resumed if there are any further demonstrations. The situation, however, remains tense.

2. Adding to the tension is the recent death of a Kurdish member of the Iraqi Communist Party who had been arrested and tortured in prison during the Kurdish uprising. He had been partly paralyzed as a result and had been kept in a prison hospital in Baghdad in recent months. Upon his death in the hospital, his relatives were permitted to take his body home for a funeral in the north. During the funeral there were demonstrations and speeches made against the regime by Kurdish members of the Iraqi Communist Party.

3. In general, source believes that situation in north is not being handled well by GOI. All too frequently security officers and party members are assigned to the north as a penalty for poor performance elsewhere. As a result, mistakes are being made in administering the territory and there is considerable petty graft and corruption on the part of government cadres.

Wiley

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**323. Memorandum From Robert Oakley and Gary Sick of the National Security Council Staff to the President's Assistant for National Security Affairs (Scowcroft)<sup>1</sup>**

Washington, December 14, 1976.

**PRESIDENT'S WEDNESDAY BRIEF**

*For General Scowcroft*

*Iraq UN Mission Purchase of Machine Guns.* On November 12, the Iraqi UN Mission signed for four cartons containing 100 Colt submachine guns (a very advanced, easily-concealed model). The agent in this transaction, an illegal alien, was arrested by Treasury on December 5 and is being held for arraignment in Baltimore.<sup>2</sup> Ambassador Bennett of the US UN Mission, accompanied by representatives of Treasury (Customs) and USUN Security, met with Iraqi Permanent Representa-

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<sup>1</sup> Source: Ford Library, National Security Adviser, NSC Middle East and South Asian Affairs Staff: Convenience Files, Box 7, Iraq (2). Confidential. The memorandum was submitted for inclusion in the President's briefing on Wednesday, December 15.

<sup>2</sup> Telegram 297125 to Baghdad, December 7, informed the Interests Section. (National Archives, RG 59, Central Foreign Policy Files, D760450–1234)



tive Al-Shaikhly on December 9.<sup>3</sup> Al-Shaikhly acknowledged that the Iraqi Mission had accepted delivery “by error” of three cartons only, containing 70 guns, and agreed to give them up (70 guns were picked up on December 11).<sup>4</sup> He acknowledged that the transaction was arranged by Mr. Al-Tayyar of their staff and said that he operates “independently.” [1½ lines not declassified] Tayyar had returned from a trip to Baghdad just before placing the order.

USUN has been instructed to pursue the matter and to inform the Iraqi Mission that until all 100 guns are returned—even if they are currently overseas—there will remain a serious problem.<sup>5</sup> [The purchasing agent has indicated his belief that the weapons were to be used in connection with the forthcoming OPEC meeting in Doha. This would be consistent with the operations of the Iraqi-supported Black June terrorist operations which have recently included the attack on hotels in Damascus and Amman,<sup>6</sup> and probably the attempted assassination of Foreign Minister Khaddam of Syria in Damascus.]<sup>7</sup> The UN Legal Office is being kept informed as events progress. Publicity thus far has been limited to a brief mention in the December 9 *Washington Star*, but will probably become more widespread when the purchasing agent is brought up for arraignment in the next few days.

*Comment:* It is important that the Iraqis not be allowed to hold out on the 30 missing guns, whose initial delivery to the Iraqi Mission has been reconfirmed. The Iraqi “Black June” connection, the model of gun, and other suspicious evidence point toward the guns being ordered for terrorist purposes.<sup>8</sup>

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<sup>3</sup> The meeting was reported in telegram 6030 from USUN, December 10. (Ibid., D760455–0936)

<sup>4</sup> Reported in telegram 6099 from USUN, December 13. (Ibid., D760459–1195)

<sup>5</sup> The instructions were sent in telegram 302691 to USUN, December 14. (Ibid., D760459–0725)

<sup>6</sup> See footnote 3, Document 321.

<sup>7</sup> Brackets in the original. The assassination attempt took place on December 1.

<sup>8</sup> Telegram 309837 to Baghdad, December 23, instructed the Interests Section to approach the Foreign Ministry to explain the affair and seek the return of the weapons. (National Archives, RG 59, Central Foreign Policy Files, D760470–0478) According to telegram 1905 from Baghdad, December 23, Wiley made a démarche at the Foreign Ministry. (Ibid., D760471–0343) In telegram 21 from Baghdad, January 4, 1977, the Interests Section noted that the U.S. “firm but low-key approach” had strengthened the “doves” in the Iraqi Government who preferred to withdraw the Iraqi UN Ambassador and avoid designating a reciprocal persona non grata from the Interests Section. (Ibid., D770002–1251)

### 324. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>

Baghdad, December 28, 1976, 0548Z.

1919. Subject: Terrorism, Foreign Policy, and Internal Tensions in Iraq.

1. *Summary:* Iraqi regime is frustrated by current developments in Arab world and disturbed by increasing terrorism at home. Despite these problems and increased internal tension with Kurds, Iraqi Communist Party and Baathi National Command, Iraqi regime still seems to be in undisputed control. *End summary.*

2. In aftermath of airport bombing,<sup>2</sup> Baghdad remains tense as police and security services brace themselves for further terrorism. Latest apparent outrage was bomb explosion in downtown Baghdad cinema on evening of December 23. GOI has not publicly acknowledged this latest atrocity but rumors spread rapidly through diplomatic corps after loud explosion was heard in downtown Baghdad that evening. USINT source who has close connections with security admitted that explosion had taken place in cinema but said that no one had been killed. He said GOI would now impose stricter controls on cinemas, checking all packages as patrons enter and locking doors after showing starts so that no one can leave until performances are completed.

3. Anti-regime Iraqis in league with Syrian regime are considered the probable perpetrators of the violence.<sup>3</sup> Syrian Embassy in Baghdad is under particularly heavy surveillance although it seems unlikely that Syrians would use their Embassy as a base for covert operations under present conditions.

4. We continue to hear reports of small-group insurgent activity in north. Operations are apparently carried out by Kurdish irregulars supported by Damascus. USINT Principal Officer was denied permission to travel in north during New Year's holidays although two other USINT officers made similar trip in early December.

5. There are also signs of increased tension between the ruling Baath Party and Iraqi Communist Party. In reporting on GOI statement attacking Syrian regime for airport bombing, Communist Party paper, *Tariq as-Shab*, left out one paragraph which contained a particularly

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D760473–0742. Secret. Repeated to Abu Dhabi, Amman, Beirut, Cairo, Damascus, Jidda, Kuwait, London, Manama, Moscow, Doha, Tehran, and Tel Aviv.

<sup>2</sup> On December 15, a bomb exploded inside a suitcase at Baghdad International Airport. Iraq blamed Syria for the attack. (*The Washington Post*, December 16, 1976, p. A39)

<sup>3</sup> A group called "Free Iraq" claimed responsibility for the bombing.

scurrilous attack on Syrians. In response regime devoted entire front page of Baath Party weekly newspaper, *Ar-Rased*, to an attack on the ICP for its alleged failure to support the policies of the Iraqi regime and for its habit of taking its cues from foreign powers.

6. On diplomatic front, regime is also taking some well earned lumps with expulsion of four Iraqi diplomats from Iraqi Embassy in Amman for complicity in terrorist attack on Intercontinental Hotel and with enforced departure of Iraqi diplomat from United Nations Mission for illegal arms transactions.<sup>4</sup>

7. Bankruptcy of Iraqi foreign policy toward Arab world was further highlighted last week by announcement of plans for political merger between Syria and Egypt. Iraqis do not like to play role of odd man out which conflicts with their deep seated ideological and emotional inclination towards Arab unity. Syrian-Egyptian move was particularly bitter pill for Iraqi regime since merger plans were obviously related to Syrian and Egyptian attempts to move in direction of a comprehensive settlement with Israel in defiance of Iraqi "rejectionist" philosophy.<sup>5</sup>

8. OPEC conference has also strained Iraqi relations with other Arab states, in this case, Saudi Arabia and the UAE.<sup>6</sup> Although GOI took a certain consolation in finding itself, at last, on the side of the majority, the decision by Saudi Arabia and UAE to go their own way on oil pricing was occasion for some angry words from GOI. Iraqi planning officials had counted on larger increase to help finance their development plans over next five years. Shaikh Yamani was a particular target of abuse.

9. To add to their other problems, there appears to be some increase in tension between the Baathi National Command, dominated by Michel Aflak and other anti-Syrian-regime Syrians, and the Regional Command, controlled by Bakr and Saddam Hussein. We have heard reports that the Regional Command has become increasingly annoyed by extent to which National Command has limited their freedom of action by taking public positions on sensitive foreign policy issues before the Regional Command has had time to act. For example, the implacable hatred for the Syrian regime on the part of the Syrian exiles on the National Command has limited the regime's flexibility in managing this bitter conflict.

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<sup>4</sup> See footnote 8, Document 323.

<sup>5</sup> Telegram 1798 from Baghdad, December 7, noted that Iraq was increasingly isolated in its advocacy of a rejectionist front toward Israel, as its one-time Arab partners sought an overall settlement. (National Archives, RG 59, Central Foreign Policy Files, D760451–0370)

<sup>6</sup> The OPEC conference was held in Doha December 15–17.

10. All in all, this is not a merry holiday season for the GOI. Outlook is for increasing frustration on part of Iraqi regime who have unwisely locked themselves into a number of unrealistic policies and who may now feel obliged to opt for more desperate measures, such as terrorism, in a vain attempt to carry them out. Terrorism will, of course, breed counter-terrorism, which will, in turn, add to the regime's already well developed sense of insecurity.

11. In fact, despite recent bombing outrages, regime seems to us to be in relatively strong position at home. Police and security agencies pervade all aspects of life in Iraq and Saddam Hussein is increasingly taking over the reins of power from an ailing President Bakr. Acceptability of Hussein to leadership of armed forces continues to be the major unresolved succession issue, but Hussein is a master manipulator and has had plenty of time to establish his own network of informers within the armed forces and move his trusted supporters into key commands. Although terrorism and covert warfare may now intensify, we doubt that regime is in serious danger, in the absence of a successful assassination attempt on Saddam Hussein himself.

Wiley

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**325. Telegram From the Interests Section in Baghdad to the Department of State<sup>1</sup>**

Baghdad, January 4, 1977, 0650Z.

19. Subj: Terrorism in Northern Iraq.

1. USINT source has confirmed the story currently circulating in Baghdad diplomatic community that Governor of Sulaimaniya was recently assassinated.<sup>2</sup> According to source, Governor had refused to accept normal security protection and was killed in his automobile by gunmen on motorcycles. Assassination took place shortly after Christmas.

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<sup>1</sup> Source: National Archives, RG 59, Central Foreign Policy Files, D770002–1254. Secret. Repeated to Ankara, Damascus, Kuwait, London, Moscow, and Tehran.

<sup>2</sup> In telegram 33 from Baghdad, January 8, the Interests Section corrected this report to read that the Deputy Governor had been assassinated. (Ibid., D770008–0307)

2. GOI believes assassination was retaliation for execution of a group of Kurdish intellectuals. (76 Baghdad 1815)<sup>3</sup> As Governor of the province, the assassinated man was formally responsible for ordering the executions.

3. Source said that this group of Kurds was not associated with Talabani and are probably not receiving Syrian support. They are separate group of well educated Kurds who resent the arrogance of lower level Baath Party and police officials, who all too often treat the Kurds as if they were citizens of an occupied country.

4. Source said that assassinations are currently taking place at a rate of one per week. Most of the victims are soldiers or policemen who do not take proper security precautions. In most cases, the assassination squads are under the control of Jalal Talabani and have been trained and armed by the Syrian regime.

5. Source also confirmed that three Poles working in the Darbandi Khan area were kidnapped by Kurds. GOI obtained their release by paying a ransom. In addition, a Frenchman traveling in the north was robbed and a group of Swedish telephone technicians working in the north were harassed by Kurdish irregulars.

6. *Comment:* While GOI still has effective control of northern Iraq, Kurdish terrorism is serious enough to create anxiety in Baghdad. Fact that GOI is now sending high-level delegations of pro-government Kurds to Europe and the United States to meet with Kurdish exiles (76 Baghdad 1938)<sup>4</sup> is evidence of GOI's concern.

**Wiley**

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<sup>3</sup> Document 322.

<sup>4</sup> According to telegram 1938 from Baghdad, December 31, the Foreign Ministry Chief of Protocol advised the Interests Section that a group of Iraqi officials intended to visit the United States in January and meet with U.S.-based Kurds, to inform them of the measures taken by the Iraqi Government with respect to the autonomous Kurdish region. (National Archives, RG 59, Central Foreign Policy Files, [no film number])

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