

DECLASSIFIED

Authority NND969046
By WDP NARA Date 5/2/02

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PA/HO Department of State
E.O. 12958, as amended
June 21, 2006

Department of State

TELEGRAM

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R 011430Z APR 70
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 740
BT
~~SECRET~~ SECTION 1 OF 2 TEHRAN 1247

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PERSONAL FOR ASST SECY SISCO

REF: (A) TEHRAN 1019; (B) TEHRAN 1216

1. WHILE I DO NOT WISH TO SOUND ALARMIST I BELIEVE PRESIDENT AND SECRETARY SHOULD KNOW THERE IS EVERY INDICATION WE ARE HEADED FOR SOME KIND OF CRISIS WITH SHAH UNLESS PRESENT DEADLOCK IN WHICH WE AND SHAH FIND OURSELVES IS BROKEN.

2. DEADLOCK IS CAUSED:

(A) ON THE ONE HAND BY SHAH'S ABSOLUTE CONVICTION-- OR OBSESSION-- THAT UNLESS HE SUBSTANTIALLY STRENGTHENS HIS MILITARY POSTURE, THE ARAB SIDE OF GULF WILL, AFTER BRITISH WITHDRAWAL, FALL BEFORE MASSIVE RADICAL ARAB CAMPAIGN OF SUBVERSION ENCOURAGED BY SOVIETS WITH IRAN LEFT STANDING ALONE.

(B) ON THE OTHER HAND BY OUR INABILITY TO MAKE EITHER SPECIAL OIL ARRANGEMENT FOR IRAN OR EXTEND MORE THAN \$100 MILLION PER ANNUM OF FMS CREDIT DRUING CRITICAL YEARS AHEAD WHEN IRAN'S FINANCIAL RESOURCES ARE GOING TO BE STRETCHED TO LIMIT.

3. GEN TWITCHELL AND I HAVE TRIED HARD WITH SHAH (REF A) AND WITH PRIMIN HOVEYDA, FONMIN ZAHEDI, COURT-MIN ALAM, PLAN ORG DIRECTOR MEHDI SAMII, GEN TOUFANIAN, ETC., TO PERSUADE THEM TO TAKE HARD NEW LOOK AT IRAN'S PLANS FOR MILITARY EQUIPMENT ACQUISITION IN LIGHT OF IRAN'S FINANCIAL AND TRAINED MANPOWER RESOURCES, ETC. OUR HOPE HAS BEEN THEY WOULD SEE NEED TO TAILOR SUIT TO FIT CLOTH BY REDUCING OR SPREADING THEIR MILITARY ACQUISITION PROGRAM OVER SUBSTANTIALLY LONGER PERIOD THAN FIVE YEARS.

4. WHILE THESE EFFORTS HAVE FORCED THEM TO FACE HARD FACTS OF LIFE, THUS FAR IT HAS NOT BROUGHT SLIGHTEST CHANGE IN MAGNITUDE OF PROGRAM SHAH FEELS ESSENTIAL FOR NEXT FIVE YEARS. ON CONTRARY I HEAR PRIVATELY FROM HIS SENIOR CABINET ASSOCIATES THAT HIS FRUSTRATIONS (REF B) AND FEELING US DOES NOT WANT TO HELP HIM BECAUSE WE DISAGREE WITH HIS PLANS ARE INCREASING. WE UNDERSTAND SHAH HAS SENT ANOTHER LETTER TO PRESIDENT. AND HIS FRUSTRATIONS

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UNDOUBTEDLY BEEN FED BY REPORTS USG PLANNING SUBSTANTIAL ECONOMIC ASSISTANCE TO ISRAEL (TEHRAN'S 1196), AS WELL AS BY FACT, WHICH SENIOR MEMBERS OF GOI POINT OUT TO US, US CONTINUES EXTEND LARGE GRANT MIXJDARY AID TO TURKEY WHOSE VITAL INTERESTS, SHAH BELIEVES, ARE MUCH LESS THREATENED THAN THOSE OF IRAN'S JUGULAR IN GULF. THEREFORE THEY ASK: WHY DO WE NOT HELP IRAN WITH MORE LHN MCREDITI?

5. UNLESS A

FIND WAY TO BREAK AWAY FROM PRESENT STERILE DIALOGUE IN WHICH SHAH KEEPS SAYING, "WHY DON'T YOU WANT TO HELP ME WHEN IT IS IN YOUR INTEREST TO DO SO?" AND WE REPLY, "SORRY, THOUGH WE AGREE RE IMPORTANCE OF FUTURE STABILITY IN GULF, WE'VE DONE A LOT FOR YOU BIT IT NOT POSSIBLE TO DO WHAT YOU ASK," I FEAR WE ARE GOING TO SEE STEADY DETERIORATION IN SPECIAL US-IRAN RELATIONSHIP WHICH HAS BEEN BUILT UP IN RECENT YEARS AND WHICH SERVES OUR OWN NATIONAL INTEREST SO WELL. JUST AS JAPAN IN PACIFIC AREA AND NATO IN ATLANTIC AREA REPRESENT OUR MAJOR BUILDING BLOCKS IN QUEST TO DEVELOP STABLE AND PEACEFUL WORLD ORDER, SO IRAN, IN THIS VOLATILE AND TURBULENT REGION, IS ONLY ELEMENT OF REAL STABILITY AND PROGRESS. IRAN IS KEY TO WHETHER GULF REMAINS IN FRIENDLY HANDS AND I NEED NOT SPELL OUT AGAIN ITS IMPORTANCE TO MOST BASIC FINANCIAL, ECONOMIC AND SECURITY REQUIREMENTS OF OURSEVLES, WEST EUROPE AND JAPAN.

6. IN TWO LONG TALKS I HAD WITH SAMII OVER PAST SEVERAL DAYS A POSSIBLE WAY OF BREAKING OUT OF PRESENT IMPASSE EMERGED. OUR DISCUSSION CENTERED ON BASIC LIST OF MILITARY EQUIPMENT PREPARED BY GENERAL TWITCHELL AT IRANIAN REQUEST, ENUMERATING ITEMS WHICH IRAN INDICATED IT WOULD LIKE ACQUIRE OVER NEXT FIVE YEARS. THIS LIST OF "TRANCHE CANDIDATES" TOTALS \$896 MILLION. SAMII FELT IT POSSIBLE TO PROCURE ELSEWHERE OR ELIMINATE M-60 TANKS; CH-47 HELICPTERS; 175 MM ARTILLERY AND AMMO THUS REDUCING TOTAL BY \$136 MILLION. THIS WOULD STILL LEAVE \$760 MILLION FOR FIVE YEAR PERIOD CONSISTING OF FOUR ADDITIONAL F-4 SQUADRONS FOR 1973-76 PERIOD (\$345 MILLION); ADDITIONAL C-130 AIRCRAFT (\$215 MILLION); BALANCE DUE ON THIRD AND FOURTH SQUADRONS OF F-4 (\$53.7 MILLION) AND ON PEACE RUBY (\$17.7 MILLION); AND NUMBER OF MISCELLANEOUS ITEMS SUCH AS AMMO, RADAR, REPLACEMENT EQUIPMENT, ETC. GP-3.

MACARTHUR

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7. I TOLD SAMII IT OBVIOUSLY IMPOSSIBLE TO FIT \$760 MILLION PROGRAM INTO REMAINING FOUR TRANCHES (\$400 MILLION) IN 1968 AGREEMENT. ONLY ANSWER I COULD SEE IS TO KNOCK MORE ITEMS OFF LIST OR STRETCH OUT ACQUISITION OVER SUBSTANTIALLY LONGER PERIOD. I TOLD HIM GEN TWITCHELL AND I HAVE PEJUONAL DOUBTS ABOUT IRAN'S ABILITY TO ASSIMILATE EFFECTIVELY FOUR ADDITIONAL F-4 SQUADRONS DURING 1973-76 PERIOD AT RATE ON ONE EACH YEAR AND SUGGESTED THIS WOULD BE ONE LOGICAL CANDIDATE FOR STRETCH OUT.

8. SAMII SAID SHAH IS ADMANT ON NEED FOR ADDITIONAL AIRCRAFT. HOWEVER, IT JUST MIGHT BE POSSIBLE PERSUADE SHAH TO STRETCH OUT PROGRAM OVER PERIOD OF 7 TO 8 YEARS INSTEAD OF PRESENTLY ENVISIONED FIVE YEARS. HE WANTED TO THINK THIS OVER, PARTICULARLY HOW TO APPROACH SHAH WHO IS VERY SENSITIVE AND PRICKLY ABOUT IRAN'S MINIMUM SECURITY REQUIREMENTS. IF DELIVERY SCHEDULE FOR F-4 AIRCRAFT WHICH ALONE TOTAL ABOUT \$475 MILLION WERE ~~SO~~

~~STRETCHED~~ STRETCHED OUT FROM FIVE TO SEVEN OR EIGHT YEARS, OVER-ALL PROBLEM WOULD BECOME MORE MANAGEABLE. I REMINDED SAMII THERE IS ONLY \$400 MILLION REMAINING IN TRANCHES UNDER 1968 AGREEMENT. HE SAID HE FULLY UNDERSTANDS THIS BUT WE SURELY ALSO UNDERSTAND THAT FOLLOWING SHAH'S TALKS WITH PRESIDENT LAST OCTOBER SHAH COMPLETELY CONFIDENT THERE WOULD BE NO PROBLEM IN OBTAINING ADDITIONAL \$100 MILLION TRANCHES FOR FIFTH YEAR OF HIS PROGRAM AND POSSIBLY SEVERAL ADDITIONAL YEARS SINCE WHAT HE IS DOING IS IMPLEMENTING "NIXON" DOCTRINE. SAMII SAID ONLY POSSIBLE WAY HE COULD SEE TO OBTAIN SHAH'S ACQUIESCENCE TO STRETCH OUT WOULD BE BASED ON EXTENSION FOR 3 OR 5 YEARS OF 1968 PROGRAM OF \$100 ANNUAL TRANCHES.

9. COMMENT AND RECOMMENDATION:

(A) DESPITE FACT GOI KNOWS THAT THERE ARE ONLY FOUR ADDITIONAL \$100 MILLION TRANCHES UNDER 1968 AGREEMENT IT IS CLEAR THAT SHAH IN HIS PROGRAM FOR NEXT FIVE YEARS IS COUNTING ON ADDITIONAL TRANCHE FOR FIFTH AND POSSIBLY SEVERAL SUCCEEDING YEARS. AS PRACTICAL MATTER WE ARE THEREFORE FACED TODAY WITH ISSUE OF EXTENDING 1968 AGREEMENT.

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IN FACE OF THIS SITUATION SHOULD WE REFUSE TO EXTEND FMS CREDIT AFTER EXPIRATION OF 1968 AGREEMENT, WE SHOULD HAVE NO RPT NO DOUBT THAT RESULT WILL BE MAJOR CRISIS AND END OF SPECIAL RELATIONSHIP SHAH FEELS FOR US. (C) MY ~~OWN~~ STRONG RECOMMENDATION, CONCURRED IN BY GEN TWITCHELL, IS THAT WE BREAK OUT OF PRESENT IMPASSE, WHICH UNLESS RESOLVED WILL PUT INCREASING STRAINS ON OUR RELATIONS WITH IRAN UNTIL THEY CRACK, BY OFFERING TO EXTEND 1968 AGREEMENT FOR THREE OR FOUR ADDITIONAL YEARS, SUBJECT OF COURSE TO USUAL CONGRESSIONAL CAVEATS. AS PRACTICAL MATTER, THIS WOULD BE MAKING VIRTUE OF WHAT I BELIEVE WILL IN ANY EVENT BE A NECESSITY IF WE ARE TO MAINTAIN OUR SPECIAL RELATIONSHIP WITH IRAN, WHICH HAS RESULTED IN SPECIAL PRIVILEGES AND FACILITIES FOR US, AND IRAN'S COOPERATION IN MANY OTHER MATTERS OF IMPORTANCE TO OUR OWN NATIONAL INTEREST. AT SAME TIME EXTENSION OF AGREEMENT WOULD GIVE US TOOL TO TRY TO RESHAPE IRAN'S PROGRAM OF ACQUISITION OF US MILITARY EQUIPMENT ALONG MUCH MORE EFFECTIVE AND CONSTRUCTIVE LINES, PARTICULARLY IN FIRST INSTANCE THROUGH A STRETCH-OUT. WE WILL ONLY INFURIATE SHAH IF WE TRY TO TELL HIM BLUNTLY WHAT HE DOES OR DOES NOT NEED BUT IF WE OBTAIN STRETCH OUT WE MAY BE ABLE ALSO TO DO SOMETHING ABOUT MAGNITUDE. WE BELIEVE ONLY EFFECTIVE WAY TO TRY PERSUADE SHAH TO STRETCH OUT HIS FIVE YEAR PROGRAM IS THROUGH EXTENSION OF 1968 AGREEMENT. WITHOUT SUCH ACTION ON OUR PART OR INCREASE IN ANNUAL AMOUNT OF FMS CREDIT WHICH WE CONSIDER LESS DESIRABLE THAN STRETCH-OUT, LONGER TERM PROSPECT FOR OUR RELATIONS WITH IRAN APPEARS BLEAK.

10. I REALIZE OF COURSE EXTENSION OF 1968 AGREEMENT WOULD REQUIRE CONGRESSIONAL CONSULTATION; HOWEVER, IN LIGHT OF WHAT IS AT STAKE IN GULF IN TERMS OF OUR OWN MOST FUNDAMENTAL INTERESTS AND FACT PROGRAM INVOLVES LOAN AND NOT RPT NOT GRANT AID, I THINK A VERY SPECIAL CASE CAN BE MADE FOR IRAN. ALL CONGRESSIONAL VISITORS WE HAVE HAD HERE SINCE MY ARRIVAL HAVE, AFTER OUR BRIEFINGS AND TALKS WITH SHAH, BEEN MOST SYMPATHETIC AND HAVE EXPRESSED VIEW THAT WE SHOULD DO ALL WE CAN TO HELP IRAN INCREASE ITS STRENGTH SO IT CAN DEFEND OUR AND OTHER FREE WORLD INTERESTS IN GULF WITHOUT OUR HAVING TO GET INVOLVED.

11. IF ABOVE RECOMMENDATION IS ACCEPTED, IT WOULD NOT, OF COURSE, IN ANY WAY AFFECT CONTINUING EFFORTS OF GENERAL TWITCHELL AND MYSELF TO SPUR IRANIAN LEADERSHIP TO MAKE THEIR PROGRAM MATCH BETTER THEIR OVER-ALL RESOURCES AND REQUIREMENTS REGARDING BOTH MAGNITUDE AND STRETCH-OUT. I SHOULD ADD AIRCRAFT ACQUISITION IS OBVIOUSLY AT HEART OF PROBLEM AND REPRESENTS WELL OVER HALF THE TOTAL OF SHAH'S BASIC FIVE YEAR PROGRAM; AND UNTIL IT IS RESOLVED, PREFERABLY THROUGH STRETCH-OUT, IT IS VERY DIFFICULT TO SEE HOW WE CAN DEAL WITH TOTALITY OF PROBLEM.

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I APOLOGIZE FOR LENGTH THIS MESSAGE BUT IN VIEW OF
UNDER SECRETARY'S MEETING WITH SHAH APRIL WHEN HE
WILL SURELY GET AN EARFUL, I THOUGHT YOU ALL SHOULD
HAVE FULL PICTURE AS SEEN FROM HERE SO THAT IT CAN BE
CONSIDERED BEFORE APRIL 20.
GP-3 MACARTHUR