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**██████████ CHANNELS**

TO: AMEMBASSY SINGAPORE  
ATTN: SAMUEL M. HOSKINSON WITH SECRETARY CONNALLY  
FOR: SECRETARY CONNALLY  
FROM: HENRY A. KISSINGER *Haig*  
SUBJ: Background and Suggested Talking Points for Your meeting with the Shah of Iran

I. Purpose and Setting.

The purposes of your stop in Tehran are to demonstrate as the President's visit did our continued view that Iran is an important contributor to stability in the Middle East, to follow up on subjects only briefly covered in the President's talks with the Shah and to continue the ongoing general exchange of views with the Shah. You should be aware that the President in asking the Shah to see you sent a telegram after departing from Tehran saying that you would be prepared to discuss, among other subjects, the security of Pakistan, the Gulf, oil, and the Kurdish problem. The latter issue will be covered in a separate message. The others are covered below in Section IV.

You will find the mood in Iran a mixture of pride and confidence on the one hand and concern on the other.

The pride stems from Iran's achievements over the past decade, particularly the progress of the Shah's extensive domestic reforms such as land reform and Iran's increasing economic independence with a growth

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

~~SECRET~~

- 2 -

rate above 10% yearly over the past five years. The Shah and Minister of Finance Amouzegar have negotiated steady increases in the revenues from oil, which are the basis for Iran's progress, but they are energetically diversifying against the day when the wells run dry. With this progress has come an enhanced international status. Iran is a country to be reckoned with in the regional context.

At the same time there is recognition that these rapid changes are producing increasing internal dislocations and pressures against a background of changes in the areas around Iran. This leads to anxiety on two fronts: (a) The Shah is concerned that the USSR may find ways to facilitate the overflow into Iran of the instability that has developed in Pakistan, Iraq and Turkey. (b) Coupled with this is concern that Iran's stability and progress are too exclusively dependent on the Shah's firm personal leadership and that institutions are not evolving that could make an orderly transition if he were to pass from the scene. The Shah himself has voiced concern on this point from time to time, although not in the President's recent conversations.

## II. The President's Talks with the Shah.

Based on the Shah's conversation with the President, you can expect the following to be the main elements in the line the Shah will take with you:

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

1. In the Shah's view, the situation in the Middle East, South Asia and the Indian Ocean has changed markedly over the last year in ways that increase the threat to the security of Iran.
2. He sees the Soviet friendship treaties with Egypt, India and Iraq signed over the past year as evidence of serious changes which have worked to Soviet advantage in the overall balance of forces in the Middle East and South Asia since a year ago. While he does not oppose East-West detente in Europe, he points out that this detente will pose dangers for Iran in tempting the Soviets to feel more free to expand into the Middle East and South Asia.
3. Going hand-in-hand with this Soviet thrust, he sees an increasing threat posed by situations on both sides of Iran. He is expanding his military defenses so that they will cover Iran on all sides and not just on the Soviet and Iraqi borders.
  - a. The Shah saw December's events in South Asia not only in terms of the Soviets improving their position but with fear that further disintegration in Pakistan could spill over into southeastern Iran (Baluchistan). With this in mind, he urged the President to do everything possible to help make Pakistan viable. He also regards Afghanistan as vulnerable to the same kind of disintegration he fears in Pakistan.

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- 4 -

- b. While Iraq is inherently unstable, the Shah is concerned about the subversive efforts of which Iraq is capable, especially in Kuwait, in the Persian Gulf sheikhdoms, in Saudi Arabia and in Jordan.
4. These situations on his borders lead him to point out that it is necessary for Iran to be able to defend itself. He described to the President his needs in modernizing his military forces, and the President made certain promises. Below, you will find a formulation for addressing these commitments. He may also describe to you his current efforts to find financing through private American banks and contractors for a combination air and naval base which he would like to build at Chah Bahar on the southern coast of Iran near the Pakistan border. (Robert Ellsworth at Lazard Freres has been involved in trying to put together a consortium for this purpose.)
5. He generally expressed the following concerns in the other countries around him: He fears that Saudi Arabia is particularly vulnerable to subversion because the King has not moved quickly enough with reform programs. He has promised to help the Sultan of Oman who faces what the Shah regards as a Communist supported insurgency on his borders. He respects the King of Jordan. Despite his concern about the Saudis, he has maintained a close relationship with both King Faisal and King Hussein.

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

6. The Shah in connection with his effort to build closer regional associations has moved since the death of Nasser to build a closer relationship with Egypt. Although he has been disappointed by President Sadat's actions in the past few months and is concerned about his relationship with the USSR, he has been generally impressed by Sadat and would like to help him get out from under the Soviet thumb.

7. The Shah recognizes the changes that are taking place in the economic organization of the world. He sees major economic blocs emerging and feels that the Middle East should organize itself to deal more effectively with the principal world power blocs. He sees the need for regional development in the Middle East and believes that he probably has as good credentials as anyone for asserting some leadership in this region. This is one subject which you might want to draw him out on. It was not discussed in any detail during the President's talks, and we are aware of his views mainly from others who have talked with him.

8. The Shah sees the above political situation as of particular concern to the US and Western Europe. He is very much concerned over what would happen to the US and Europe if radical trends in the Arab world created a threat to the continued flow of oil.

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- 6 -

During the President's visit to Tehran, the President covered the following ground:

1. He described the background and purpose of his summit meetings in relation to developments last fall in South Asia and this spring in Vietnam. He noted that he has no over-expectations about what these meetings by themselves will achieve, important as they were. The Soviets have not changed their overall objectives.
2. In response to the Shah's specific requests for modern weapons, the President was forthcoming. Specifically, he committed us in principle to sell F-14 and F-15 aircraft as soon as we are satisfied that these are operationally effective; he agreed to provide laser-guided bombs; he agreed to assign in Iran additional military technicians from the US services to work with the Iranian services. (Since the President's return to Washington, a memorandum has been sent to the Secretaries of State and Defense asking Defense to develop a plan for following up on these Presidential commitments. There will be difficulties connected with some of these deliveries, but we will keep the Shah informed at each stage of progress so that he will have a sense that there is determination on our side to follow through on these commitments as soon as physically practicable.

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

3. The President spoke from a general US position of strong support for regional cooperation and a closer relationship among Iran, Saudi Arabia and Jordan in blunting the Soviet thrust.

### III. Points for You to Stress.

In general, you will want to stress the following points:

1. Since the President has already talked with the Shah about his summit meetings, your conversations in Tehran will probably have less to do with this than at any of your other stops. However, the President's purposes at the summits will provide the framework for your general discussion, and since the Shah has heard the President himself on the subject you start from common ground. It is still worth repeating the fact, which the Shah will understand, that the US wants to establish a framework of relationships between the nuclear powers which will permit regional powers like Iran to play the principal role in contributing to stability in their areas. Contrary to the view sometimes put forward by the uninformed, the Nixon Doctrine is not a formula for US withdrawal from the world. It is just the opposite. It is designed to assure a strong and positive American role. We are seeking to establish a framework for greater cooperation with our allies in meeting our mutual security interests. We share a common interest in a strong and secure Iran.

2. Within this framework, we want the Shah to understand that we are alert to the attention that the Soviet Union is giving to the area from Egypt through India and we want to encourage the Shah's efforts to knit a close regional association with those nations in his area that want to resist the Soviet pressures. We want to encourage the Shah in his special associations with Israel and Turkey, with Kings Faisal and Hussein and with President Sadat of Egypt.
3. Within the framework of discussing regional cooperation, you may wish to tell him the President in his conversations with King Hussein in Washington in April encouraged King Hussein to play a constructive role in helping provide the basis for stability in the Persian Gulf in cooperation with Saudi Arabia and Iran.
4. Since you will just have come from South Asia, the Shah will be intensely interested in your talks there. The main points to make are our continued support for Pakistan and Bangladesh and our desire to put our relationship with India on a sound basis.
5. The question of oil relationships will probably come up. There are two aspects to the problem: (1) The near term aspect is that the Shah has recently concluded an agreement with the Western oil consortium which is tough but responsible. (2) The broader context, of course, is that the US as well as Western Europe will become increasingly

dependent on Middle East oil over the coming decade. The main point we want to make is to emphasize the need for responsible negotiations such as those just concluded by the Shah -- as relationships between the producing countries and the companies change.

6. Since the subject did not come up during the President's conversations, it may be worth your mentioning the President's vigorous campaign on the narcotics problem. In some ways, Iran shares our part of the problem. Iran stopped production in the middle 1950s but then was the victim of imports from Afghanistan and Turkey. At that point, Iran tried to close its borders and began producing enough opium again to meet the needs of its own addict population. We are not at the point of being able to propose a regional attack on the narcotics problem, but you might want to mention the President's concern about this problem to the Shah and the US desire to cooperate with him and others in the region in attacking it.

#### IV. Specific Issues.

On the specific issues which the President has mentioned to the Shah that you might talk about, the following are the positions that you might take:

1. The Security of Pakistan. Perhaps a good take-off point for your conversation would be for you to give the Shah your impressions on South Asia, since this is an area of primary concern to him. You can

reassure the Shah, as the President did, that the US will continue to provide economic support for Pakistan. The President and the Shah discussed the difficulty the US faces in trying to supply the Shah with military equipment. There was some discussion of whether Iran could be a channel for US military equipment not provided directly to Pakistan, and in the President's conversation with the Shah it was noted that there are legal complications stemming from our Foreign Assistance Act which make this impossible for us at the moment. It was left up in the air in the President's conversation with the Shah that this would be an important item and that we would have to address it later.

2. The Persian Gulf. The Shah can be encouraged to talk in greater detail about how he sees the security situation in the Sultanate of Oman and in the new Union of Arab Emirates at the lower end of the Persian Gulf. One new element in this situation is the fact that the Jordanians have shown an interest in playing a constructive role in the Gulf states, and they have been encouraged by King Faisal to do so. The President did not really have a chance to discuss Jordan's role in any detail with the Shah, and it might be well for you to let the Shah know that the President has given Hussein his encouragement, provided anything Jordan does is done in coordination with Saudi Arabia and Iran. The President intimated in his discussions that we would make every effort to meet King Hussein's requirements for military assistance.

3. Oil. The Shah will be concerned about the nationalization of the Iraq petroleum company and about the generally increasing dependence of the

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-11-

Western world on Persian Gulf oil. Since you have spoken to this problem yourself, you may want to get the Shah's general views on it. In addition, the Shah from time to time has pressed for special access to the US market. This interest has decreased recently, but if it comes up again, you will have to explain the political difficulties involved in altering our import system.

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