



INTERNATIONAL SECURITY AFFAIRS

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28 JUL 1979 13 32

OFFICE OF THE SECRETARY OF DEFENSE
ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Iran
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Chief, Records & Declass Div, WHS
Date: FEB 03 2016

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1 AUG 1979
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Pass copies of this into my comments to CV + 20, be disseminated at lunch on Friday. MB

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: What to do about Iran (U)

SUMMARY

(S) A review of steps we might take in Iran reveals nothing new, nothing that will strengthen the Iranian government quickly or similarly improve our diplomatic and military relations with it. Nevertheless, we should frame a policy--and take some steps now--to improve our position in Iran over the longer term. This memorandum suggests four steps which we consider basic.

(S) The Policy Dilemma

In a memo we sent you six months ago we said the crucial question was whether the departure of the Shah was a change of government or a revolution. The latter, we said, would mean that new elites and new principles of rule had replaced old ones. It seems clear now--although only six months has elapsed--that the Iran of the future is going to be radically different from the Iran of the past two decades. Little will remain of the ideas or the old structure of economic and political order when the present movement is finished. The immediate prospect, however, is for another year or more of divided governmental authority, a weakening military, anti-Western religiosity as the principle of state, and growing radical leftist and separatist sympathies. TAB A describes conditions.

(S) The situation will get worse before it gets better. It could well come to a conflict between the religious right and the secular left. The large urban and lower class groups which overthrew the Shah in demonstrations and strikes will be the object of the conflict. This polarization is the core problem our policies in Iran must address, because the radical left could easily win. A government in Tehran like the one in Iraq and Afghanistan would alter the power balance in the Gulf ominously. Such a government would be worse than the other three outcomes. We see:

- More of the semi-chaos which exists now, perhaps even a further loss of control over the non-Persian minorities by the Persian speakers.
- At the worst, this could lead to the division of Iran into tribal, Turkish, Kurdish, Arab and Baluchi statelets, or

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- A weak military regime, à la Pakistan, or

- A religious state like Saudi Arabia but with institution of rule provided by a stronger government rather than a royal family.

(S) The prospect of an invasion of Iran (from Iraq or the Soviet Union or a strengthened Afghanistan) seems remote. All these states could decide, however, to provide arms aid and political support to client groups inside Iran to promote a radical leftist take-over, or prevent a rightist one. All these states would probably hope, however, as we should, to see the restoration of Persian power wielded by a strong and friendly government. Bazargan and Khomeini's movement offers the best potential for such an outcome.

I doubt that they would prefer, in order, a friendly strong, a weak one, an advisory strong one. But their own views of friendly & adversary are opposite.

(S) Clearly the Bazargan and Khomeini camp is aiming at the religious state mentioned above. While their religious orientation is strong, Khomeini and company are on the way to framing a constitution, holding elections, re-directing and re-staffing the government and the economy to support their views of an Islamic commonwealth. Their perception of threat is still focused on the Shah's regime, not on the left, not on foreign foes (except as they are connected with the remnants of the Shah's government or military) and not on internal separatism. In this view of the world, the Komitehs are an essential device in dealing with a government and a military which they believe can't be trusted. In a restructured state, we can perhaps assume that, as Khomeini has said, the Komitehs would have a lesser role, the government a greater one.

(S) Given the options outlined above, the US Government should begin to put itself in position to help the evolution of the Khomeini state, accepting the collateral possibility of the emergence of a strong military man in time. The Islamic content of the state should not obstruct our policy, notwithstanding American hopes for the rights of women and distaste for the chador. Those are internal matters and we can hope in time to facilitate the cooperation of the Islamic movement with moderate secular leaders. This option is better than letting events slide toward a polarization which could produce a leftist government or a split-up of Iran.

(S) We see four areas--political, security, covert action and economic advice--in which specific actions could be taken now to put US policy on the right course.

(S) Political

The reasons that the government of Khomeini sees us as an important part of the opposition goes beyond their anti-Western biases to some hard perceptions of real politik. After the military collapsed, we showed more concern for the victims of Khomeini than for his government. We have never acknowledged any constructive aspects of Khomeini's revolution. We have never even sent an official emissary to Khomeini. We tarred ourselves with the image of

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opposition in these efforts just as much as we did in supporting the Shah as long as we did. [redacted] --a friend--told Charge' Laingen in early July that the basic problem of the US is that Iranians think that while we have recognized the revolution, we have not accepted it. This should probably become the initial objective of a new policy.

(S) Now, six months after the Shah has departed, we should look to deal with the real power in Iran. This is still Khomeini and his movement. It should be possible to develop some areas of agreement and common concern, i.e.,

- Our steadfast policy of non-interference in Iran's internal affairs and, moreover, our explicit recognition of the idealism and the constructive elements of the revolution.
- Our interest in Iran's territorial integrity and economic welfare.
- Our apprehension over the aims of adjacent states.
- Our concern over the impaired ability of the Iranian army to defend the country and our willingness to cooperate in military matters with Iran through whatever procedures they choose.
- Our perception of a large and growing threat from leftists and separatists in Iran.

(S) This message should probably be delivered by a special emissary whose religious and political outlook allows him to be sympathetic to Khomeini's reformist and nationalist goals. The emissary's visit should follow a major speech in the US stating our support for the revolution. Bazargan and Yazdi can pave the way with the Ayatollah. Nevertheless, it should not be expected that Khomeini's personal reaction will be favorable. In fact, it will be unfriendly in the extreme. He is bitter and ignorant about the U.S. Still, we should take this step now in order to broaden the base of our contacts in Iran and establish a new credibility and relationship. Over time, with further steps, we can hope for reassessment among Khomeini advisors and perhaps eventually by the Ayatollah himself. Those actions would be useful as a prelude to the assignment of the new Ambassador, who should be charged with the new mandate of establishing a supportive and understanding relationship with the regimes in Qom and Tehran.

To be discussed w/RO/cv

(S) Security

I agree with the suggested approach on these items.

Despite the hostility and suspicion of Khomeini and others toward US contacts with the Iranian military, we should encourage the tentative steps that have been taken to reestablish logistic support arrangements. We should publicly and candidly describe our policy and procedures.

5 U.S.C. §552

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- In the long run the Army may yet prove to be a decisive factor. We should concentrate our advisory effort on establishing firm but quiet professional ties with the emerging leadership of the ground forces.

- By law, the USG can fund only six MAAG positions in Iran. Since it is unlikely that Iran will renew any personnel support cases by the end of this fiscal year (September 30) our advisory mission will consist of a maximum of six people. These officers should be carefully selected, Farsi-trained where time permits, and to emphasize our concern for the Iranian ground forces, headed by a US Army (not Air Force) O-6. (The Army in Iran--not the Air Force--is decisive politically.)

- Now that Congress has passed the FY 1979 Supplemental, we should proceed with our plans to offer emergency supply of repair parts provided Iran deposits funds in advance (\$5 million suggested) and to deliver unclassified repair parts and other minor items already paid for from the FMS trust fund and awaiting shipment.

- We should continue to keep the Iranian authorities informed of FMS trust fund status and to encourage them to send a team to the United States in order to resolve outstanding problems and establish a sound basis for resumption of normal FMS financial management (for example, quarterly billing and payment in advance to cover progress payments and termination liability). The target date for such a meeting, in either Washington or Tehran, should be no later than mid-September, when we will have completed our analysis of trust fund status following reimbursement from the U.S. Navy for the SPRUANCE-class ships and the Iranians will have completed their Ramadan religious break.

- We should respond positively to Iranian requests for technical assistance, including discreet requests for advice on improving operational effectiveness within a more constrained supply regime, providing the GOI can guarantee the safety of personnel and assure their ability to work in a non-hostile and constructive environment.

- We should be willing to discuss buy-back of US-supplied equipment in response to Iranian initiatives.

- As a general policy we should encourage government-to-government arrangements and discourage commercial arrangements as we resume our military supply relationship in order to foster government-to-government relations, to avoid a recurrence of the widespread abuses which resulted from previous commercial relations, and to assure the security and constructive nature of US activities in Iran. ✓

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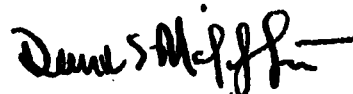
~~(S)~~ Economic

A World Bank team might be able to provide some encouragement and advice for the government in launching its new development program. The basic obstacles faced by this program lie in a lack of order and a lack of administrative machinery, but Iran does have a banking system which--while now under national control--could be used to provide loans for equipment and agricultural schemes in the countryside. The World Bank should be able to help with advice on food subsidies which do not undermine the position of the traditional farmer and on construction programs which soak up the excess and discontented labor of the cities. It might help establish wage and benefit guidelines which bring some more order and discipline to management-labor relations, which are presently chaotic. Although Iran does not need foreign exchange and has high and perhaps rising levels of national income, the IMF might advise on a stabilization program to deal with inflation on one hand and currency flight on the other. We should also consider offering US-only teams which could provide assistance in agriculture, road construction, and maintenance of power generation facilities.

(U) Other Actions

See sensitive attachment.

~~(S)~~ I recommend you suggest to Cy and Zbig that we need a PRC meeting on Iran to consider specific steps we could take on Iran. State would chair, but we should offer to circulate a DOD paper to supplement State efforts. (You could also give them a copy of this memo if you wish.) The paper will spell out specific steps along the lines outlined above, to cover a three-to-six month period, and end our ad hoc approach to the problems in Iran. I have directed the Iran Task Force, which was established last November under Bob Murray, to oversee all DOD activities vis-a-vis Iran.



David E. McGiffert
Assistant Secretary of Defense
International Security Affairs

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~~(S)~~ Covert Action

We have so few such projects, and so little chance of mounting any that meet the tests of impact and deniability that it may be a waste of time to suggest opportunities here. However, we need to build some support around some ideas and some individuals. Specifically, we would like public comment on Soviet strategems against Iran and the anti-Islamic character of the Soviet regime, the need for a strong Army subordinate to a strong state, the mutuality of some US and Iranian interests in economic and security measures, the compatibility of Islam with economic progress and a parliamentary political life. We should look for a closer but very discreet tie to [redacted] other reformist clerics as well as emerging military leaders. The aim overall would be to create circumstances which would facilitate cooperation of the Islamic movement with moderate secularists--rather than force a polarization of the country between the right and the left.

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INFORMATION MEMORANDUM

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SUBJECT: Situation in Iran (U)

OVERVIEW

(S) Although much of the overt turmoil has subsided, the outlook for Iran for the rest of the year remains bleak. The old order has been decisively overturned but no new order has yet been established. As a result, disillusionment and disaffection are growing. The religious elements backing Khomeini are frustrated by the resistance to their plans offered by the secularists and leftists. The military remains cowed by the Komitehs and the savage purges. Commercial enterprise is stagnant. The students are riven with factions while the religious hierarchy strives to prevent an open break among the leadership. The provisional government provides a facade of normality behind which barely controlled anarchy prevails through much of the land. Despite the grim outlook for the short term, we believe some modest political investments by the US made today, such as those outlined in the covering memorandum, could produce dividends in the longer run.

PRINCIPAL GROUPS

(S) Religious Elements.

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- Khomeini remains the strongest individual in the state and is still capable of rallying mass support on any given issue. He will probably dominate the upcoming elections, on the constitution and then later on a Parliament. His aura, however, has been severely tarnished by his anachronistic and authoritarian decrees. Some religious figures,

appear alienated by Khomeini's dictatorial impulses and his inability or unwillingness to develop a program that will accommodate moderate secularists. Khomeini's uncompromising insistence on Islamic political and legal norms may succeed in driving the moderates into the radical leftist camp as the only alternative to what is perceived as religious facism. Nevertheless, no one is prepared to challenge Khomeini's power and prestige.

(S) The Government

- The Bazargan government is ineffectual and powerless. Its writ runs nowhere without Komiteh consent. It commands no meaningful armed force or police to ensure execution of its dictums. The ministries remain in disarray while staffs dispute policies with their chiefs. Nationalizations will make it more difficult, not less, to launch economic recovery programs. In all showdowns with Khomeini, with the Prime Minister demanding greater autonomy and non-interference from the Komitehs, Bazargan has backed down, and not implemented his threats to resign.

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~~(S)~~ The Committees

- The most powerful institution to evolve from the revolutionary turbulence has been the Komiteh system. Despite their overwhelming influence, very little is known with certainty about these ubiquitous groups. There are estimated to be between 300-400 revolutionary committees in cities and government offices throughout the country. Komiteh membership is secret. They are theoretically subordinate to the central committee in Qom which directly oversees events in Tehran. However, many have emerged as independent power centers backed by locally armed personnel. Their authority to usurp functions is apparently based on vague exhortations by Khomeini and enforced by armed threats.

- The Komiteh system evolved as a revolutionary response to replace or control the Shah's minions in all aspects of government. Since the Monarch had personally appointed most of the key functionaries throughout the government, foreign service, in the provinces and in the military, the revolutionary leaders felt they could not trust any of these thousands of people. They had insufficient reliable, trained manpower to replace them all and hence developed a supervisory system to pass on all actions undertaken by the bureaucrats or military officials. Fearing a counter-revolutionary thrust, they cracked down first and hardest on the military leadership. Virtually the entire general/flag officer corps was eliminated from all three of the services. Although the purge was thoroughgoing and appears almost complete, the Komiteh members are reluctant to relinquish their unaccustomed power and authority, and the concomitant perquisites they have been able to extract. Thus far, Khomeini has not followed up his periodic promises to curb Komiteh power.

~~(S)~~ The Revolutionary Guard

- A budding instrument of authority about which we have little knowledge is the Revolutionary Guard. Originally started by Yazdi, (who is now Foreign Minister) the Guard has been used in lieu of the army to combat local insurrections in Khuzestan and the Turkoman area. The PLO is probably involved in the training of this force, which is variously reported to be aiming at a strength of between 20-60,000. Even armed as light infantry, the Guard would be a formidable tool for whoever commands its loyalty. The emergence of this force should be watched closely.

~~(S)~~ The Military

- The military remains a dispirited and poorly led force. It has been unwilling to respond to foreign incursions on the border or to combat internal insurrections. Disenchantment with the Komitehs is widespread, however, and some signs of military revival are evident. Local commanders have had some success in reimposing discipline. Some conscription is taking place with conscripts being sent directly to units

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rather than training centers for training. There is an effort to try more sorties in the Air Force and secure spares. US help is being sought.

- Decisions on future size, force structure, and operational posture seem to be awaiting the development of stable political leadership. However, plans under discussion appear to be realistic and in consonance with Iran's revised world view. There is nothing inimical to US interests in a leaner force structure, a functional general staff and military leadership responsible to elected governmental officials. We can live with an Iranian military which minimizes its regional security role as long as it can defend Iran's stability and independence.

- The army is still looking for credible leadership and a strong spokesman. However, the revolutionary cadre remains fearful of the threat a resurgent army might pose and, despite troubles on the borders and the lack of internal security, they are reluctant to let the army off of its very short leash.

~~(S)~~ The Left

- Based on the fragmentary information available, it appears that the political left has fractured throughout its end of the political spectrum. Little is known about the leadership of the various groups that have arisen or the scope of their ideology, although overweening nationalism appears to be a dominant trend. The Tudeh is recruiting and probably agitating in the oil fields and in Kurdish areas. Arms are plentiful on all sides--the booty of arsenals looted during the revolution being supplemented by rampant smuggling. While a threat from the left is acknowledged by most observers, its actual dimensions can be only dimly perceived at present.

~~(S)~~ Foreign Relations

- Post-revolution Iran has managed to antagonize most of its neighbors and alienate much of the world at large with its sanctimonious statements, drumhead justice and bristling nationalism. Khomeini's connection with the PLO seems intact but of marginal importance. The foreign service has been depleted of experienced diplomats and control of the foreign ministry has passed to the former Minister of Revolutionary Affairs, Yazdi.

- The Soviet Ambassador has periodically visited Khomeini and on his last trip to Qom was publicly rebuked by the uncompromising cleric. Plans for a second gas pipeline (IGAT II) have been scrapped and the flow through IGAT I has still not reached the volume originally contracted for. Iran's renewed quarrels with the USSR client, Iraq, further compound Soviet difficulties in dealing with the new Iranian order. We suspect considerable Russian funding is being provided to leftist elements, especially the Tudeh and perhaps some indirect contributions to arms smuggling, but we are unable to document the Soviet role at this time. The USSR has been circumspect in dealing with the aftermath of the revolution, with its most overt action being vitriolic anti-US denunciations during clandestine broadcasts.

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- As traumatic as the Iran experience has been from a US perspective, it has not yet proven to be the complete reversal the Soviets suffered in their debacle in Egypt or earlier in Indonesia. The USSR can be satisfied that the US position in Iran has been severely undermined but they have not yet replaced us as they did in Indochina. The existence of the Khomeini regime does not favor the Soviets, though they are courting the Ayatollah. The nationalistic fervor of some even avowedly Marxist elements will reject Soviet influence.

- Friends of the USSR in the region (e.g., Iraq, Afghanistan) find the spectre of militant Islamic fundamentalism more threatening to their secular regimes than do the religiously conservative friends of US (e.g., Saudi Arabia and the Gulf Sheikdoms). Moreover, despite their professed unconcern, the Soviets must be apprehensive over the impact the Islamic content and xenophobic character of the revolution may have on their own sizeable Muslim population in Central Asia.

(8) Economy

- The industrialized sector of the economy is in shambles and formal commercial activity is paralyzed by the dearth of credit, absence of investor confidence and general political instability. Inflation is said to be running at over 30 per cent though any figure is suspect since few reliable statistics are being generated or collected anywhere in the economy with the possible exception of the oil industry. Unemployment is given as from three to four million, but again the figure is suspect, though admittedly huge, especially in construction work, which had attracted thousands of villagers to the cities. Innumerable public and private sector employees have been collecting wages for months without working since revolutionary decrees have, in many instances, prohibited layoffs or stipulated exorbitant formulas for severance pay. This is a recipe for both bankruptcy and inflation.

- Oil exports continue at the rate of about three million barrels per day; however, worrisome reports continue to emanate from the oil fields indicating political disruptions could affect oil production at any time. Recent incidents of sabotage give additional weight to this concern. Meanwhile, oil profits are generating a healthy foreign exchange surplus which could help fuel an economic revival program; lacking at present, is a mechanism to translate this income into meaningful development projects.

- Plans for economic recovery are being developed--oriented toward revitalizing the long neglected agricultural sector--and money to support these plans is available. However, the revolutionary zeal to punish collaborators with the old regime--witness the recent nationalizations in the banking, insurance and industrial fields--has taken precedence over the government's need to reassure shaken entrepreneurs.

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~~(S)~~ NEXT STEPS

The ensuing months will see a growing struggle for legitimacy among contending factions on the Iranian scene. The outcome, which should influence the course and direction of the Iranian state for years to come, will proceed along the following stages:

- In a compromise of Khomeini's original proposal to have a new constitution ratified by direct national referendum (as was done in creating an Islamic Republic) a committee of some 40-80 experts is supposed to be elected during early August to review the proposed constitution. What may happen if it proposes significant changes in the document is unknown.

- Subsequent to this review, a nationwide referendum to ratify the constitution will be held.

- Following popular approval, elections will be conducted in accordance with the new constitution to elect national leaders and a parliament.

Violence could mar this process at any step along the way, and no firm timetable for the conclusion of all of these events has been established. Some observers believe the cultural propensity of Iranians to avoid violent confrontations argues against the outbreak of civil war. However, given the widespread availability of weapons in the streets, a peaceful transition to a formally elected government is by no means certain.

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