



INTERNATIONAL SECURITY AFFAIRS

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ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

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15 MAY 1975

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Briefing Book for Visit of the Shah of Iran
16 May 1975

Attached is the Briefing Book for your discussion with
the Shah. Recommend you read the OVERVIEW and
DISCUSSION TOPICS papers.

Robert Ellsworth
Assistant Secretary of Defense
International Security Affairs

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COORDINATION: DSAA

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VISIT OF THE SHAH OF IRAN

16 MAY 1975

OVERVIEW

The Shah last visited the United States in July 1973, before the most recent Arab-Israeli clash, the oil boycott and price rise, and the departure of President Nixon, with whom the Shah had established a close personal understanding--and who (in 1972) determined that "in general, decisions on the acquisition of military equipment should be left primarily to the Government of Iran." In the three years since then we have sold more than \$8 billion in arms to Iran, and Iran's defense expenditures (excluding construction) have increased from \$1.3 billion (March 72 to March 73) to nearly \$8 billion per year (March 75 to March 76, estimated). Iran's image in the US has suffered, as more public questions are raised concerning its use of this vast array of ultra-modern weaponry, its ultimate intentions both in the Gulf area and vis-a-vis Israel, and its major role in pushing oil prices to their present levels. Even the recent agreement with Iraq, which should have improved his image, was in some instances, portrayed instead as betrayal of the Kurds, in some degree because of attitudes projected in Israel and by her more uncritical supporters in the US media. The Shah's image has been tarnished further among supporters of the democratic process by his tightening the screws even further on the media in Iran, by his now forthright public rejection of a parliamentary system for Iran coupled with abolition of even the token "opposition" party previously tolerated. At home, the Shah confronts a steady and determined terrorism which lately has specialized in the assassination of Savak officials.

Essentially, the US-Iran relationship remains one in which the US is passive and the Shah's wishes plus pure momentum are the driving factors. Thus, to a considerable extent, our US policy in the Gulf area is actually the Shah's policy. This is a lulling situation while some of our major areas of interest continue to overlap. Even more lulling is the shallow theme of reassurance so often repeated that "Iran has no place to turn" but to the US--as though all the countries on the Sino Soviet peripheries have on the basis of logic remained staunchly pro-American.

What the Shah Wants: The Shah undoubtedly wishes to use this visit to:

- a. reestablish his image as a moderate, responsible and forceful leader, concerned with his peoples' welfare and anxious to make the Persian Gulf a region of peace and stability;

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22

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2

- b. try to establish a good personal rapport with President Ford;
- c. try to assuage Congressional doubts and criticism; and
- d. gain US agreement to some specific, high priority items (his visit already has resulted in a US-Iranian nuclear agreement favorable to Iran on the key reprocessing issue) and assure the continuation of favorable decisions on defense-related requests. There is no evidence that the Shah questions US credibility in the wake of Vietnam, but events in Southeast Asia are likely to reinforce his determination to continue Iran's military buildup--we are now, for instance, processing some \$600 million in Iranian ammunition orders, apparently generated by the impact of US policy vis-a-vis Turkey and South Vietnam.

One important background note: with oil production down 10-15%, Iran's oil revenues will be only \$18 billion at best this year, and if they remain at that level, inflation continues, and development and military spending continue to increase, Iran will be in the red in three years or so. The Shah knows this, and we can expect increasing concern over prices and efforts to cut back even on military spending. Too, we can expect Iranian pressure within OPEC to raise oil prices when the current price freeze expires in September.

What the US Wants: 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 US 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.

In sum, it is not clear whether we are interested more in short and mid-term objectives (keep the Shah and OPEC happy until more oil is found) or in building a strong, lasting US-Iranian (as opposed to US-Shah) relationship. On some issues it makes no difference: in either event we want to reassure the Shah as to our interest in Iran's continued development. Hopefully, however, the President and Secretary Kissinger will also remind the Shah that our relationship can flourish only on a two-way street and that US use of Iranian facilities plus income from arms sales will not suffice as return-traffic. Our ultimate policy, it is plain, does make an important difference in how we

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3

answer the question of whether we continue automatically to approve all arms-related requests, even those we consider contrary to US interest and/or Iran's own longer-term interest as well.

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