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CITE TEHRAN

TO HENRY A. KISSINGER, WHITE HOUSE

FROM AMB. HELMS, TEHRAN

REFERENCE: WH 31917

SHAH IS AT NOWSHAHR ON THE CASPIAN BUT IS EXPECTED BACK IN TEHRAN BY EVENING 18 AUGUST. WILL ASCERTAIN HIS VIEWS AND INTENTIONS AS SOON AS POSSIBLE THEREAFTER.

MEANWHILE, OF THE OPTIONS AVAILABLE, RECOMMEND A COMBINATION OF (1) AND (2), WHICH WOULD INCREASE CASH SUBSIDY BY 50 PER CENT.

STOCKPILING ARMS FOR CONTINGENCY SUPPLY IS ESSENTIAL BUT, UNLESS ACCOMPANIED BY INCREASE OF SUBSIDY, WILL NOT BE VISIBLE TO BARZANI. ONE-TIME CASH PAYMENT (OPTION 4) WOULD HAVE TO BE IN DINARS AND PROCUREMENT WOULD LIKELY DRIVE UP THE PRICE. IT WOULD ALSO PROVIDE LESS CONTINUING LEVERAGE THAN INCREASE IN MONTHLY PAYMENTS.

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