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E.O. 12958, as amended  
June 21, 2006

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DEPARTMENT OF STATE

Memorandum of Conversation

DATE: April 8, 1971

SUBJECT: Political-Military Affairs/Iran

PARTICIPANTS: Ambassador Douglas MacArthur II, U.S. Ambassador to Iran  
Mr. James H. Noyes, Deputy Assistant Secretary, Near East,  
South Asian and African Affairs, Department of Defense  
Mr. Thomas R. Pickering, Deputy Director, PM  
Mr. John Reed, Deputy Director, NESA Region, Department of  
Defense  
Mr. Christian A. Chapman, Director, PM/MAS  
Mr. Robert L. Dowell, Jr., NEA/IRN  
Mr. Felix Dorough, PM/MAS

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Ambassador MacArthur EXIM  
NEA

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The Ambassador reviewed Iran's position and importance to the United States. In his view Iran is the only strong, stable asset we possess between Europe and Japan. Together with Turkey, it has the only dependable air corridor for civilian and military traffic from east to west and vice-versa. For other reasons our continued presence in that country is of vital interest to the security of the United States. The Ambassador recalled that the pre-World War II Molotov-Ribentrop Agreements made clear the strategic importance of the Gulf to the Soviet Union when it was stated "the region in the direction of the Persian Gulf is the center of aspirations of the Soviet Union." Rather than achieving this goal through occupation as during and immediately after World War II the Soviets are attempting to achieve their goals through Syria, Iraq and the Arabian Peninsula. The Soviets need for oil in quantity after 1980 and the feudal aspect of governments of the area make many of Iran's neighbors likely candidates for Soviet activities especially when the British pull out at the end of this year. At this reading, Iran appears as the only present possibility for stability, strength and leadership after the British withdraw. If Iran's neighbors on the other side of the Gulf are to resist the Soviet thrusts, the power vacuum to be created by the British withdrawal must be filled and Iran is the only country that is in a position to do so at this time.

POL IRAN

NEA/IRN:RLDowell, Jr.

(Drafting Office and Officer)

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On the Islands question, the Ambassador recalled the Shah's public statement that the Islands of Abu Musa and the Tunbs belong to Iran and that if an accommodation is not reached prior to the British withdrawal the Iranians will take them thereafter. Precedents for enforcing claims by force could lead to Saudi Arabian moves against Abu Dhabi, and an Iraqi move against Kuwait. The British believe that when they pull out at the end of 1971 they will be in a position to maintain their influence as heretofore is in the Ambassador's view "nonsense." Mr. Noyes seemed to share this view. The Ambassador stated that the President has recognized the relevance of the Nixon Doctrine to Iran. There seems little doubt in the Ambassador's view that elements for Saudi-Iranian cooperation in the area exist. However, a "pappa knows best" attitude on our part would, insofar as Iran is concerned, be the worst possible posture we could assume. The Iranians have the funds and are quite prepared to buy what they feel they must have from French, British, Italian or other sources if we refuse to sell these items to them. The Ambassador made it clear that he was not suggesting that we give Iran a blank check to buy whatever it wished in the United States, but he wished to stress that in his view it might be preferable for us to cede to a sale rather than to see the sale go to another supplier as he believes that to the extent that Iran purchases from other suppliers our ability to influence them in their decisions to purchase any armaments and equipment is diminished. Other suppliers of arms in his view have little or no desire to limit but on the contrary look to boosting sales of arms to Iran. Thus, the Ambassador believes that by working with the Shah we can endeavor to try and get the Shah to see and understand the magnitude of his purchases and exercise his own restraints. He is hopeful that the Toufanian-Twitchell Study will produce an understanding on the part of the Iranians of the necessity for overall programming. Mr. Pickering stated that PM was terribly interested in this study.

Ambassador MacArthur expressed a hope that it would be possible to reduce the number of visits of military personnel to Iran and mentioned the strain on the Embassy resources as a result of these visits. The visitors to ARMISH/MAAG during the second six months of 1970 were 268 visitors averaging 12 days per visit. During the first quarter of 1971 there were 133 visitors averaging 7 days per visit. Ambassador MacArthur stated that it's planned to keep MIDEASTFOR at its present level and to continue to use the Bahrain facilities.

As to the level of financing of Iranian military acquisitions through the EXIM Bank in FY '72, the Ambassador felt that we should be a little flexible in this regard and that we should get into a 50% funding arrangement and a 50% credit guarantee arrangement with a total flow of about \$140 million. Mr. Chapman asked if the Ambassador was not concerned with the impact of Iran's military purchases on the country over the next five years to which the Ambassador replied that he was not. He noted the significantly

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increasing oil revenues (increase in CY '71 over CY '70 estimated at \$650 million) attributable not only to increased unit income but as well conservatively estimated increases in quantitative production. He noted that Mr. Samii had just informed him that the debt-service ratio had dropped to 14.5%. In the Ambassador's view, the credit situation over the next several years would be tight but quite manageable and if the copper project presently under consideration (Sar Chesmeh) worked out the outlook on the economic front would be quite promising.

Mr. Noyes said that he sensed some concern with regards to the arms balance in the area, e.g., are the American arms supplied to Israel and Iran drawing the USSR into supplying more and more arms to other Middle Eastern states. In Ambassador MacArthur's view the Soviets have already made gains resulting from the polarization in the Arab-Israeli War and a strong Iran is necessary to balance off this influence especially if the Arabian Peninsula becomes radicalized. Ambassador MacArthur added that it was not a question of giving Iran a blank check but rather of what can we do if the Shah goes elsewhere? Are we not in a better position to limit the arms race more effectively through our influence over the Shah than by his exercising his freedom to purchase what he wishes from other suppliers? In Ambassador MacArthur's view Iran's strengthening of its defenses does not motivate the Soviets to increase arms supplies in other Middle Eastern countries. Ambassador MacArthur stressed the points that the Shah is a free and independent agent, possessed of the means to purchase arms and has available to him sources of supply other than those from the United States.

Mr. Pickering said that PM was pleased that Ambassador MacArthur had been able to get the Shah to look into the question of whether its increased armaments was or could result in sucking more armaments into the void. The Ambassador replied that he did not know the answer to this question but he did know that in any event USG was not omnipotent in controlling it.