DEF Department of State XN POL IJ-IIRA US-IRAN

PAGE Ø1 TEHRAN 04662 Ø1 OF Ø2 2312002

50 ACTION SS-25

INFO OCT-01 1026 W

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R 230907Z AUG 71 FM AMEMBASSY TEHRAN TO SECSTATE WASHDC 5483

LI SECTION 1 OF 2 TEHRAN 4662

FOR UNDER SECRETARY JOHNSON, ASST SECY SISCO AND MIKLOS, NEAZIRN FROM MACARTHUR

SHAH'S PROPOSAL! TO USG THAT AFTER RETIREMENT GENERAL TWITCHELL SERVE AS CIVILIAN CONSULTANT

TEHRAN 3753 AND 3589 REF : (A)

(B) AMB'S JULY 24 LETTER TO MIKLOS

HAVE RECEIVED LETTER FROM GEN. WESTMORELAND DATED AUGUST 12 TAKING POSITION, IN WHICH HE SAYS GENERALS THROCKMORTON AND GOODPASTER CONCUR, THAT CONSULTANCY OF GENERAL TWITCHELL WOULD NOT BE IN THE BEST INTERESTS OF US AND COULD BE PREJUDICIAL! TO SUCCESS OF NEW ARMISH/MAAG CHIEF. WESTMORFLAND EXPRESSED DOUBT THAT IF TWITCHELL: REMAINS WILLTAMSON WOULD EVER GET TO KNOW SHAH AND DEVELOP RELATIONSHIP COMPARABLE TO THAT BETWEEN SHAH AND TWITCHELL AND QUESTIONS LEGALITY OF TWITCHELL'S EMPLOYMENT AS "EGSO GERMAINE TO THIS ISSUE." HE CONCLUDES BY OPPOSING SHAH'S PROPOSAL TO HAVE TWITCHELL SERVE AS CONSULTANT AND SAYS

HE DOES NOT BELIEVE THERE IS CLEAR DEMARCATION LINE BETWEEN JOBS OF TWITCHELL AND CHIEF A/M.

WHILE I REALIZE WESTMORELAND'S LETTER REFLECTS POSITION OF US ARMY, SHAH ADDRESSED HIS PROPOSAL: TO US GOVERNMENT. I STRONGLY DISAGREE WITH WESTMORELAND'S VIEWS AND OFFER FOLLOW-ING COMMENT FOR CONSIDERATION OF USG IN REACHING DECISION ON SHAH'S REQUEST. FIRST, WITH ALL: DUE RESPECT TO WESTMORELAND, THROCKMORTON AND GOODPASTER, I THINK NONE OF THEM REALLY UNDER-

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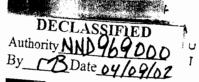
## TELEGRAM

PAGE: 02 TEHRAN 04662 01 OF 02 2312007

STAND: NATURE AND CHARACTER OF SHAH: THAT DECISION TO HAVE TWITCHELL SERVE AS CIVILIAN CONSULTANT WAS SHAHES ALONE: AND THAT SHAH CANNOT BE BRUSHED OFF WITH REASONS SUCH AS THOSE IN WESTMORELAND LETTER. SHAH TOLD: ME. HE WANTS TWITCHELL AS CIVILIAN CONSULTANT ON MATTERS WHICH ARE NOT RESPONSIBILITY OF MAAG CHIEF BECAUSE HE HAS KNOWN TWITCHELL SINCE HE UNDERTOOK INITIAL SURVEY MISSION OF IRANIAN ARMED FORCES IN 1962 AND RESPECTS TWITCHELL'S PROFESSIONAL QUALIFICATIONS, FRANKNESS, INTEGRITY, AND LONG ASSOCIATION WITH IRAN'S OVER-ALL MILITARY PROBLEMS, PARTICULARLY PROCUREMENT AND PRODUCTION.

IN EARLIER MESSAGES AND IN MY LETTER TO WESTMORELAND I TRIED TO MAKE CLEAR THAT SHAH HAS NEED FOR ADVICE IN CERTAIN MATTERS RELATING TO HIS DEFENSE PROGRAMA PARTICULARLY PROCURE> MENT AND PRODUCTION, WHICH ARE EITHER BEYOND PURVIEW OF MAAG OR UNAPPROPRIATE FOR IT TO BECOME INVOLVED IN. IN THIS REGARD. I HAVE PREVIOUSLY POINTED OUT LIMITATIONS WHICH SEVERELY INHIBIT EXTENT TO WHICH MAAG CAN ASSIST IRANIANS IN THEIR NEGOTIATIONS WITH COMMERCIAL FIRMS AND WITH FOREIGN GOVERNMENTS EVEN THOUGH SHAH EXPECTS MAAG TO DO SO. AT THIS STAGE? THERE IS DEFINITE. NEED FOR ADVICE AND ASSISTANCE IN THIS AREA AND I AM CONVINCED IT WOULD BE STRONGLY IN US INTEREST AS WELL AS IRANIAN FOR US TO HAVE A COMPLETELY RELIABLE AND COOPERATIVE CIVILIAN CONSULTANT OF INTEGRITY TO GIVE SOUND AND OBJECTIVE ADVICE ON SUCH MATTERS. THIS IS BECOMING INCREASINGLY IMPORTANT AS BRITISH AND FRENCH AND OTHERS PRESS FOR PURCHASE OF THEIR EQUIPMENT» DOWNGRADING US HARDWARE IN PROCESS» AND ALSO PUSH IRANIANS TO ACCEPT ADVISORS.

ON PRODUCTION SIDE, MAAG OBVIOUSLY HAS NOT AND CANNOT BECOME INVOLVED IN SOME ASPECTS FOR NUMBER OF REASONS. AS YOU KNOW, TOUFANIAN WEARS SEVERAL HATS (E.G., DEPUTY MINISTER OF WAR FOR ARMANENT: ARMANENT ADVISER TO CHIEF SCS: AND DIRECTOR OF MILITARY INDUSTRIES ORGANIZATION: IN LATTER CAPACITY HE IS MANAGING DIRECTOR OF SEVERAL PLANTS WHICH UNDER SPECIAL LEGISLATION ARE RUN AS COMMERCIAL ENTITIES AND WHICH IN CERTAIN CASES SUCH AS BATTERY PLANT, MANUFACTURE FOR CIVILIAN ECONOMY AS WELL AS FOR MILITARY. HE IS IN ADDITION RESPONSIBLE FOR RUNNING OF IRANIAN HELICOPTER INDUSTRY AND IRANIAN RADIO FACTORY WHICH ARE PARTIALLY GOI OWNED, WITH AGUSTA BELL OF ITALY AND TADIRAN OF ISRAEL HAVING MINORITY HOLDING IN RESPECTIVE COMPANIES. IN ADDITION, TOUFANIAN HAS BEEN DIRECTED TO ASSUME





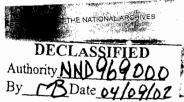
#### Department of State

## TELEGRAM

PAGE 03 TEHRAN 04662 01 OF 02 2312002

RESPONSIBILITY FOR NEWLY FORMED IRAN AIRCRAFT INDUSTRY, WHICH IS TO BE GOI-OWNED WITH NORTHRUP! A MINORITY PARTNER. HE HAS ALSO BEEN DIRECTED TO ESTABLISH NEW AMMUNITION FACTORY AND TAKE ON INCREASED RESPONSIBILITIES IN CONJUNCTION WITH COORDINATION OF CIVILIAN AND MILITARY PRODUCTION.

5. IN ORDER FOR TOUFANIAN TO MEET THESE NEW RESPONSIBILITIES SHAH HAS DIRECTED HIM TO EXPAND HIS ORGANIZATION, DEVELOP OVER-ALL MANAGEMENT STAFF, AND ESTABLISH NEW PROCEDURES. SHAH HAS TOLD TOUFANIAN TO LOOK FOR SOME WELL-QUALIFIED CIVE ILIANS AND HAS AUTHORIZED HIM TO EMPLOY APPROPRIATE FOREIGN CONSULTANTS. IN FIRST PLACE, HOWEVER, SHAH WANTS TWITCHELL AS CONSULTANT IN THESE AREAS WHICH OBVIOUSLY DO NOT FALL WITHIN





#### Department of State TEI

## **TELEGRAM**

PAGE 01 TEHRAN 04662 02 0F 02 2310432

19 ACTION SS-25

INFO OCT-01 /026 W

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R 230907Z AUG 71 FM AMEMBASSY TEHRAN TO SECSTATE WASHDC 5484

FINAL SECTION OF 2 TEHRAN 4662

ARMISH/MAAG COMPETENCE. IN VIEW OF NATURE AND SENSITIVITY OF ACTIVITIES INVOLVED, ANY CONSULTANT WILL HAVE TO HAVE FULL CONFIDENCE OF GOI AND AS IN EVERY OTHER MATTER RELATING TO MILITARY HERE, BE PERSONALLY APPROVED BY SHAH. IN SUMA SHAH IS GOING TO HAVE FOREIGN ADVISOR (OR ADVISORS). HE WANTS TWITCHELL BUT IF WE PREVENT HIS ACCEPTING, SHAH WILL TURN ELSE-WHERE (AND WE CANNOT BE SURE IT WILL NECESSARILY BE TO AN AMERICAN) TO THE DETRIMENT OF OUR NATIONAL INTERESTS. FURTHER-MORE: IF WE REPLY NEGATIVELY IT BOUND TO HAVE SOME EFFECT ON OUR RELATIONS WITH SHAH. HE MAY SEE IT AS BUREAUCRATIC USG ROADBLOCK IN HIS EFFORTS TO IMPROVE HIS OVER-ALL DEFENSE CAPABIL-SUCH AN IMPRESSION CLEARLY POSSIBLE SINCE SHAH KNOWS RETIRED US ARMY BRIG GEN ZITSMAN PRESENTLY SERVING AS CONSULTANT TO MINISTRY OF COMMUNICATIONS OF GOI AND FORMER MAAG CHIEF, GEN JABLONSKI, ALSO IS IN EFFECT SERVING AS CONSULTANT AND ADVISER TO OFFICIAL IRANIAN AGENCIES RESPONSIBLE FOR TELECOM-MUNICATIONS PROJECT。 THEREFORE, AND REPLY THAT IT NOT LEGALLY POSSIBLE FOR TWITCHELL TO BE EMPLOYED AFTER RETIREMENT BY AMER-ICAN CONSULTANT FIRM WHICH WOULD BE UNDER CONTRACT TO GOI TO ASSIST IN DEFENSE AREA SIMPLY WILL NOT WASH WITH HIM. AND, OF COURSE, ANY REPLY INDICATING USG OPPOSES TWITCHELL AS CIVILIAN CONSULTANT FOR REASONFRGET FORTH IN WESTMORELAND'S LETTER WOULD BE DISASTROUS.

6° TO CONCLUDE, I FEEL STRONGLY OUR NATIONAL INTERESTS WILL BEST BE SERVED BY HAVING TWITCHELL: SERVE AS CIVILIAN CONSULTANT AFTER RETIREMENT. I AM CONVINCED THAT AREA IN WHICH SHAH WANTS HIS ADVICE DOES NOT CONFLICT WITH ARMISH/MAAG RESPONSI® BILITIES AND TERMS OF REFERENCE. I WOULD EMPHAZIZE AGAIN THAT

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# Department of State TELEGRAM

PAGE 02 TEHRAN 04662 02 OF 02 2310437

TWITCHELL HAD NOTHING TO DO WITH THIS PROPOSAL WHICH ORIGINATED WITH SHAH AND IF HE TAKES THIS JOB ON IT WILL BE AT SOME PERSONAL SACRIFICE. IF THERE IS ANY PROSPECT OF A NEGATIVE DECISION BEING TAKEN, I RECOMMEND THIS MATTER BE DISCUSSED WITH WHITE HOUSE SINCE IF WE GIVE SHAH A TURN DOWN, HE WILL NOT ONLY BE EXTREMELY DISPLEASED BUT ALSO MAY EVEN TAKE IT UP WITH PRESIDENT. THERE IS SOME URGENCY IN THIS MATTER AS I HAVE BEEN ASKED ABOUT IT TWICE WITHIN LAST WEEK. ONCE AT CABINET LEVEL.

7. SUGGEST THIS MESSAGE BE SHOWN TO GEN. WESTMORELAND.
GP=3
MACARTHUR

- 446