CHAPTER IV

US AND ARMING THE SHAH
CHAPTER IV

US AND ARMING THE SHAH

In pursuance of the shift of the foreign policy objective from containment to regional partnership in the Middle East especially the Persian Gulf area and on to the Indian Ocean, the United States of America armed the Iran of Mohammed Reza to the teeth. In the scheme of things, however, Iran established itself as the "policeman" of the Persian Gulf. Increased Iranian strength was a part of the American policy. The new American policy towards Iran committed itself in a way it was not before. It was in keeping with the Nixon Doctrine, which the President proclaimed in July 1969. This policy called for the United States to provide military assistance to countries to defend their independence rather than to directly intervene with its own armed forces as it did with Vietnam. The Vietnam war had left the Americans with no face saving formula. Further, the Vietnam war weapon sales boom began to taper off. The termination of the American Aid Mission in Iran in 1967 on the grounds that the nation had reached
a level of economic development where such assistance was no longer required. As a result, the continuation and expansion of military aid became more valuable as a means of influencing Iran. The further deterioration in the American balance of payments made the sale of weapons to Iran more desirable than it had been in the Johnson administration. Then the first indication of the approaching world petroleum shortage were already on the horizon. The Nixon administration understandably gave high priority to insuring the continued flow of Iranian oil which was approximately 4.5 million barrels a day in 1971 was only slightly behind that of Saudi Arabia. The political, economic and cultural relations combined, the military relationship between the United States of America and Iran had a special feature in the context of filling the vacuum created by the British withdrawal from the Persian Gulf. By supplying the Shah with sophisticated equipments in unprecedented quantities, the US committed itself to make this hardware operational. It is hard to believe that the United States was only concerned with Iran's own defence needs. Allowing Iran to acquire the
phoenix missiles added an entirely new dimension to the region's armed forces. Not only could this aircraft counter the highflying Soviet MIG-25 reconnaissance plane but it could also master the MIG-23 fighter: a switch from passive defence to a more assertive stance vis-a-vis the Soviet Union.\textsuperscript{1} Iranian funds and Iranian cover was extended to US policy of containment "The strengthening of the Iranian military establishment tied with the Kissinger-Nixon strategy of global containment of Soviet Union, which included the historic opening up of relations between Washington and Peking. To counter the Soviet presence in the Indian Ocean the Shah was encouraged to extent his role of Gulf Policeman into the Indian Ocean. This was the purpose of the naval and air base to be built at Shah Bahar, less than 100 kilometres from Pakistan border... Defence spending therefore, accelerated sharply in 1974, giving deceptive impression to the outside world that this was exclusively the result of price rise... In fact this was only one of a series of catalytic elements, rather than to seek control or coordinate the flow of arms to Iran."\textsuperscript{2}
The United States was all out to conciliate the Shah. Additional loans from Export-Import Bank were made available to Iran to purchase arms and ammunitions. Iran's oil and oil wealth too had a higher priority in the American policy. There was a significant development in 1973 in the relationship between the two countries. The United States of America concluded arms sale deal of over $2 billion with Iran to be supplied over a period of several years. The deal could be described as "the largest ever negotiated by the Department of Defence. It included more modern American jet aircrafts." The unprecedented sale of equipments were part of the American programme to expand Iran's armed forces to let it assume the role formerly played by Britain in the Persian Gulf. "The British Government was well aware of Iranian intentions and did not disapprove of the principle. On the contrary, increased Iranian strength was part of the scenario." The quantity of arms and the number of the United States military personnel who were required to provide technical assistance some six hundred servicemen were sent in 1973 to bring the total to about 1,100, reflected the important role Iran occupied
in American plan for defence of the area. The most striking indicator is in Iran’s defence expenditures which have risen tenfold in 1971-75 the growth in capabilities has been both qualitative and quantitative in all three services. By the mid-1980s Iran would have 500 combat aircrafts, 1,800 chieftain tanks, the foundations of an Ocean going navy, with a fleet air-arm, maritime reconnaissance aircrafts and an army aviation corps. In October 1976, four-fights of $10,300 million orders for military equipment up to the fiscal year 1975 remained to be delivered extending through the mid-1980s. Discussion of additional purchases from the US during the later part of the decade included the F-16 and F-18L aircrafts. Anticipated US military purchase amounted to $2,000 - 3,000 million annually in the period 1976-80. By 1976 it was reckoned that "the majority of the 24,000 Americans in Iran were defence-related. Before the revolution this number had been expected to reach between 50,000 and 60,000 by 1980. Iran’s arms build up was to fulfill the American
mission and it was in line with Shah's ambition of enhancing his leverage. A secret document prepared in July 1969 on the military problem noted that the military relationship with Iran for credit sales of military equipment and military advisory assistance was a key element in strengthening the US position and influence in Iran. The US had been the primary supplier of the Shah's military requirements throughout the post-war period, especially since 1955 and remained so till the ouster of the Shah from Iran. The Chief of ARMISH/MAAG was for the Shah a highly valued objective and informed advisor on equipment, manpower, and organization. The US military role had still added significance since concessionary economic assistance and the US aid mission were terminated in 1967. The Shah concentrated on the security problems after the British withdrawal from the Persian Gulf. In 1968 the US worked out with the Shah on an illustrative list of long-range military needs to a $600,000,000 level. It was understood that this would be financed in $100 million annual "tranches" subject of course to the annual economic review and to congressional action on the
military assistance programme and its financing. The US was not yet down to the wise on the eighth tranche and General Twitchall continued to discuss additional proposed purchases. But, the GAT had already indicated its desire to speed up the negotiations for the next $100 million credit and Plan organization Director Mehdi Samii, went to Washington in early September to do some credit soundings. The shape of general things could be gathered from the following:

(a) $53.7 million is already obligated to cover F.45.
(b) $27 million for financing of aircraft warning system (Peace Ruby) in needed.
(c) 155 mm howitzers at $6 million are required.
(d) 400 M-47 tanks required retrofitting.
(e) The Shah’s continued interest in 234 Sheridan tanks with shillelagh missiles. Sheridan production may lapse if the Iranian order is not placed before January, 1970. Total cost of this weapon’s system is about $105 million.
(f) A study which the US government did was of requirements for defence of the Persian Gulf concluded that a surveillance capacity would be sufficient. But even if aircraft in inventory or scheduled for procurement are used and no new ships are purchased, three radar installations and three variable depth sonar installations would cost in the neighbourhood of $15 million.

(h) The confrontation with Iraq over the Shatt-al-Arab river seems to have convinced the Shah that his airfields are too vulnerable to supervise attack. The US was authorised to discuss the Hawk system and to convince the Shah to concentrate on problems of manpower and real effectiveness.8

During the President's talk with the Shah of Iran in Tehran on May 30-31, 1972, the President was forthcoming in response to the Shah's general request for continued US support in meeting Iran's needs for military equipment. The President made the specific commitments described below which required follow up:

1. The US is willing in principle to sell F-14
and F-15 aircraft to Iran as soon as we are satisfied as to their operational effectiveness.

2. The US is prepared to provide laser-guided bombs to Iran.

3. The US will assign in Iran an increased number of uniformed military technicians from the US services in accordance with the so-called "blue-suiters" approach to work with the Iranian.

The Defence Department was requested to prepare by June 30, 1972 in co-ordination with the State Department, a memorandum describing the manner in which each of these programmes could be carried out in a way that would be consistent with the President's commitment. The President had also considered the memorandum of the Secretary of Defense of July 5, 1972, followup on President's talk with the Shah of Iran and had approved the following course of action:

1. F-14 and F-15 aircraft. Briefing should be offered as soon as possible to Iran by service team on capabilities of the aircraft and training and logistic requirements.
associated with them. In order to allow sufficient grounds for comparison of the two aircrafts, these initial briefings should be supplemented by appropriately spaced progress reports by service teams as each aircraft moves towards the operationally effective stage. The President has told the Shah that the US is willing in principle to sell these aircrafts as soon as they were satisfied as to their operational effectiveness within the context, decisions on purchases and their timing should be left to the Government of Iran.

2. Laser-guided bombs: Briefings should be offered to the Iranians as soon as possible by a US Air Force Team. It is understood that weapons deliveries could command seven months after the Iranians place a formal order. The President has told the Shah that the US was prepared to provide this equipment to Iran.

3. Uniformed technicians: Requirements should be obtained promptly from the Embassy and the MAAG in Tehran, and the team composition,
terms of reference and costs should be worked out with the Government of Iran as quickly as possible. The President has informed the Shah that the US will assign in Iranian increased number of uniformed military technicians from the US services to work with the Iranian military services.  

A satisfactory memorandum from Dr. Kissinger which gave everyone his marching orders as to what should be done in following up the President's talk with the Shah. The thrust of it was to support fully the Ambassador's comments to P.M. Hoveyda that the US had the intention of getting into the on line operational business but would be as responsive as possible to requests for training personnel. The Shah gave the US carte blanche to whistle up any other kind of briefing team "you all think desirable... so please don't hesitate. Keep the flag flying." Dr. Kissinger's memorandum written to the American Ambassador to Iran is worth quoting:
I am aware that there is much in our relations with Iran of which I am completely or partly ignorant. In particular, in discussing with others in the Embassy whether obligations and benefits are properly balanced in our relationship with Iran, I am often informed persistently that Iran was at considerable risk to herself. Provided US with great deal of help and many facilities for our espionage and intelligence work. I am vaguely aware that Iran has permitted US to do electronic monitoring of neighboring countries and that there is a close working relationship between SRF and SAVAK. This is not enough for me to come to a conclusion about the extent of the risk to Iran and the actual value of the activities concerned.  

The US relations with Iran continued to be very close. The US had launched an initiative to expand the bilateral relations with Iran in the economic and technological area, with the objective of creating a framework and atmosphere for the discussion of such issues as oil and strategic interests. The Shah too had
responded positively, expressing particular interest in atomic power, and was anxious to get down to do details. A.E.C. Chairman Ray was to go to Iran to talk to Government of Iran officials who also might use the occasion to announce the formation of a bilateral commission on economic co-operation. On the military front, the channels for co-operation were long established and were functioning well. Bilateral channels of military co-operation during the Nixon administration were working well in US favour and that no new mechanisms were needed. Basically, the Iranian ruling circles were satisfied with the US military co-operation, but the Shah in his enthusiasm to policing the Gulf region was seeking reassurance that the US would continue to support in his arms acquisitions. He would express interest in manufacturing small missiles in Iran.

Intelligence reporting was reviewed for consistency and quality at counselor or more senior levels, as appropriate. In this area the US was well staffed. It had massive contact with Iran's armed forces through its MAAG and Technical Assistance Field Teams (TAFT). It
obtained both quantity and quality information through a more systematic end-of-tour-de-briefing programme of selected MAAG and TAFT officers. 

Certain aspects of the US relations with Iran impinged on US policies towards other areas, raising concerns about their possible long range effects. For example, US military sales and technical advisors had been largely responsible for Iran's becoming the dominant power in the Persian Gulf. Given Iran's general political orientation, this was in most respects a possible positive development from the standpoint of US interests. However, Iran's arms build up was producing a military imbalance between Iran and other Persian Gulf states, notably Iraq and Saudi Arabia. In the case of Saudi Arabia, there was increasingly the risk of a reaction that could jeopardise the US good relations with the country as well as make impossible the Iranian-Saudi co-operation that the Americans sought to encourage as the basis for preserving security and stability in the Gulf. In the case of Iraq, the long history of tension and mutual interference between Baghdad and Tehran might
prompt the former to lean more heavily on the U.S.S.R. for countervailing support. Thus setting the stage for an arms race in the area. The US efforts to improve its relations with Iraq would be complicated by its military supply arrangements with Iran which Iraq would inevitably look at in the context of its recent border incidents which were of Iran's assistance to the Kurdish rebels.16

The dimensions and complexity between two countries in the military field alone the US was involved with Iran to an extraordinary degree. Since the 1972 Presidential directive on arms policy which left it primarily to the government of Iran to decide the military equipment it would purchase, the Shah had turned to US for a wide array of weapons, equipments and related technical expertise. His interests encompassed not only major weapons systems but also sophisticated intelligence, radar and command and control systems. The Shah was also interested in having Iran manufacture selected US military items, including certain missiles and develop greater
repair facilities for its existing defense inventory. Some of the Shah's requests may be overly ambitious at this stage of Iran's development and inadvisable or difficult for US to accede to. They win require careful handling to avoid their becoming irritants between the two countries. 17

Since the beginning of 1972 the US had sold Iran over $7 billion in weapons and equipment with deliveries extending into 1978. The Americans were supplying on a reimbursable basis. DOD technical assistance teams (TAFT), distinct from the Advisory Mission (ARMISH/MAAG), to provide the expertise to ease the integration of this new material into the Iranian armed forces. Large members of American civilian defense contractor personnel would also assist in the phasing in of the new equipment and facilities. There were already about 1,500 such civilian employees working in Iran, and the number was expected to climb up to as high as 12,000 (plus perhaps as many as 30,000 dependents) by 1978, raising the prospect of a multitude of problems in cultural adjustment and inter-community relations.
In addition to those military ties the Americans had had an intimate association with Iran in various intelligence and security arrangements. Private American companies in numerous commercial and industrial enterprises.

The United States of America had also agreed to provide with enriched uranium for two nuclear power reactors to help Shah get a nuclear power industry underway. Other transfers of American technological and industrial skills to Iran were also likely to follow before long. 18

Policy Execution:

The chief of ARMISH/MAAG, as the senior US military officer in Iran, exercised informal but effective control over all the more twenty US military units operating in Iran with the exception of DAO. He acted as the Ambassador's point of contact with US military activities in the country, on the one hand he was the channel for keeping the Ambassador informed and on the other hand for conveying the Ambassador's directives to the US military co-ordination close and prompt, with the Embassy's Political/Military
Officer playing a key role in the process. The Chief of ARNISH/MAAG not only used to see the senior Iranian military officers on a regular basis, but he also used to meet the Shah at frequent intervals. The meetings were invariably reviewed with the American Ambassador before and after they occur. The only other US official who used to meet the Shah on occasions was the head of SRF. The Ambassador was kept fully informed of the meetings also, both before and after the meetings. As in the foregoing case, the matters to be raised were carefully screened with the Ambassador. The SRF Chief also had certain co-ordinating and supervisory functions with respect to the operations of the US intelligence facilities in Iran for several years where such functions were handled by DATT. The Ambassador was kept fully in the picture concerning these intelligence operations as well.  

The Shah had feared radical Arab nationalism at least since the Iraq coup of 1958, and was disturbed by Egyptian intervention in the Yemeni civil war after the 1962 revolution. The failure of the US to support Pakistan in its 1965 war with India convinced the Shah
that he could not rely on US military support in a regional conflict. These events gave him more adequate motivation to build up his military forces, diversify his sources of supply, and defuse threats where possible.

In 1966 the US agreed to sell F-45 to Iran, introducing a new level of weaponry into the Persian Gulf and giving Iran a dominant military position after deliveries began in 1968. The 1967 Arab–Israeli war further demonstrated the need for a supervisor military force in a potentially hostile Arab environment. The most important changes involved the great powers who had long inhibited Iranian foreign policy.20

Despite a few soft sports discussed above, relations between the United States and Iran remained excellent. For more than two decades the Americans have enjoyed a special relationship based on their shared attitude towards communism and the U.S.S.R., a mutual adhesion to instability in the Middle East, and the recognition that close and co-operative ties serve the interests of both countries. The Shah regards the United States as a strong power which provides Iran with strategic protection from
the Soviet Union, with highly sophisticated weapons and the expertise to use and maintain them, and with the economic, technical and professional skills needed to the development of his country.21

A secret document of May 27, 1976 noted: "Our interests in Iran include its continuance as stable and friendly contrary which plays a responsible role in the region allows us overflight rights and essential intelligence and military facilities on its territory, and gives us continuing access to its markets and its oil and mineral resources."22 The US mission's efforts were directed towards ensuring this mutually advantageous relationship to maintain and enhance. The said documents also noted: "The substantial growth in our trade relationship, our greatly increased participation in Iran's internal development and military modernisation, and the dramatic rise in the number of Americans living in this country have required an expansion of the Embassy and related elements into what is now the largest and most complex mission in MEA. In addition to the traditional
diplomatic and consular structure, we have a major military presence in the form of our Department of Defense Representative, MAAG and Technical Assistance Field Teams (TAFT), a peace Corps Contingent (which will be phased out this summer), a large and active Iran-America Society, representatives from the Departments of Agriculture and Commerce, Drug Enforcement Agency and Internal Revenue Service, and some 20 other separate units associated primarily with our intelligence and military activities in Iran. 23

Yet another document noted:

1.(5): **Strategic Importance**

Iran's primary importance lies in its key location bordering the Soviet Union, its emerging role of leadership in the area of the Persian Gulf and Indian Ocean littoral states, and its position as one of the major world oil producers and purchaser of US military and non-military goods and services and also stable and western oriented. Iran extended rights, authorizations, and facility arrangements to the US bilaterally and through co-operation within the CENTO framework.
Iranian oil would be of increasing importance to the free world.

2.(5) US Security Assistance Objectives:

A. Help Iran maintain an adequate and responsive mobilization base.

B. Encourage active participation in pro-western collective security arrangements.

C. Assist in obtaining necessary rights, authorizations, and facility arrangements for US and its allies and deny them to opposing US interests.

D. Help Iran establish and maintain combat and logistic support forces capable of meeting anticipated defense task.

E. Encourage closer regional co-operation and resist communist influence.

F. Enhance US access to major sources of petroleum.

3. Threat:

The threat to the security of Iran is viewed as two-fold: External—primarily Iraq and to a lesser degree the Soviet Union and Afghanistan, and internal—possible disorder created by terrorist
elements, and/or tribal uprisings. Threat is perceived by the host country.

4.(5) **Capabilities and Limitations**

Applied to all three services. The imperial Iranian armed forces had been able to maintain internal security and could do so under most conditions short of nation-wide disorders. They could halt simultaneous external attacks from two directions or significantly delay an attack by a major power. Iran is capable of halting an attack from Iraq, but faces possible loss of part or all of the alluvial border areas between Iraq and Iran. Iranian military forces were recently battle tested in Dhofar, but they still lack the degree of professional middle leadership available in most western forces. They were then embarked on an ambitious expansion and recognition programme in an effort to increase their capabilities.

5.(3) **Recommended Security Assistance Programme**

Coming to the heart of the problem, the document noted what it had to note:

Iran is faced by several countries that are supported by the Soviet Union and are equipped
with sophisticated Soviet arms. Iran believes that it must have a strong and modern armed forces capable of defending its strategic oil industry in order to maintain political and economic stability. The possible disruption of Iran's oil industry and its effect on the United States and its allies in primary risk that the US must face if Iran is not provided with the means to meet the perceived threat.

The Imperial Iranian Air Force (IIAF) must be capable of meeting the threat posed by high performance aircraft. In order to provide a meaningful defense of the highly vulnerable oil facilities, the IIAF must be equipped with sophisticated aircrafts and air defense weaponry. The IIAF must be capable of supporting the Imperial Iranian Navy and the Imperial Ground Forces. Because IIAF Units have only eight main bases and high density oil producing and shipping facilities are concentrated in Iran's air defense capability in vital for its national security and economy. Therefore, a radar network with an upgraded command and control system for early warning and control of all air defense and tactical aircraft is planned. F-16 and F-18 aircraft are needed to
enhance counter-air, interdiction close air support and naval air cover. Awacs (E-3A) aircrafts are needed to enhance command and control capability and assist in attaining/maintaining air superiority AMSTS are required to improve the flexibility for logistic and airlift support. P-3 aircraft will be used for airborne sea surveillance, petrol and anti-submarine operations in the Persian Gulf, the Arabian sea and the Indian Ocean.

(C) Because of the rugged terrain in Iran and the inadequate transportation network, projections for Imperial Iranian Ground Forces (I.I.G.F.) equipment reflects the need for additional helicopters as well as additional and improved ground mobile equipment and associated weapons. The II GF must maintain the capability to defend the country's borders and the strategic oil facilities on terrain next to the Iraqi border against the threat posed by large numbers of Soviet built tanks and artillery. Army aviation must conduct aerial reconnaissance, Fire support, anti-tank warfare, logistics resupply, medical evacuation, command and control, troop airlift, and support artillery in combat.24
A secret telegram noted:

Although arms sales to Iran were scrutinized by the Departments of State and Defense as well as Congress in some cases, yet the US Government had generally promised to make available to Iran a wide spectrum of conventional military equipments. The programme under discussion included HAWK, F-4, F-5 and F-14, but it taxed the available trained manpower resources of the I.I.A., and therefore, Iran's absorption capacity. Further acquisition of complex equipment i.e. F-15, F-16, AWACs, submarines etc., could pose manning problems. An additional factor affecting the absorption capacities of the I.I.A. was the cultural difference between Iran and the U.S. attitudes towards command and control, joint operations, long-range planning, internal co-ordination, priorities, and other factors that appear essential in western thinking had not yet been fully adopted by the Iranians. Some of the problems encountered in the I.I.A.'s modernization programme stemmed from these differences. Although the Government of Iran's budget indicated a deficit, yet it appeared to have the financial resources
to make prompt payments for it ordered progress towards self-reliance was indicated by phasing out of some TAFT positions, as well as by an overall projected decrease in TAFT personnel. No significant reduction in CEM support was projected because of the advanced equipment proposed for the I.I.A. defense structure. A competent defense establishment should result from the projected purchases and support US objective. At the present time, air defense related items of equipment appeared to have the I.I. IGMEST relative priority. However, development of an overall defense establishment was the prime objective of the Government of Iran and equipment would be incorporated as it became available. Yet another telegram noted:

A case of Iran's Unique Geopolitical Position:

We have no fully satisfactory alternative to two of the uses we make of Iranian territory. United States intelligence monitoring operations there provided crucial information of Soviet military operations particularly missile development, and Soviet adherence to
SALT. United States' overflight rights provide us with the most direct and satisfactory air link between Europe and countries to the east of Iran. In addition, landing rights have been important for our air surveillance of the Indian Ocean and the Soviet border areas.

IV- Major Issues:

Sales of military equipment: Using oil income to develop a large military force equipped with the most modern arms is a high priority Iranian goal and one particularly close to the Shah's heart. For him, continued access to United States military equipment, technology, and services is of paramount importance. Although Iran buys some equipment from other countries, a very large percentage of its purchases comes from the United States (over $10 billion since 1970). Iran prefers United States sources and is accustomed to favourable United States responses to most - though not all - of its requests. In recent years, that normally favourable United States response that has been based on the United States policy that in general, decisions on the acquisition of military equipment should be left to the Government of Iran.
There were three large Iranian requests under study by State and Defense Departments and awaiting Executive Branch decision: 140 F-16's (a purchase of 160 had already been approved), 7 E-3 AWAC's and 250 F-18L's. If the request was acceded, they would next be submitted to congress. Iran seemed to understand that no decision will be forthcoming on these until after January 20, 1977.

The Shah's ambitious military development plans, his traditional access to the equipment what he wanted from the United States sources, and the United States policy of not attempting for the most part to gainsay Iran's military needs had made US military relationship with Iran a leading target of arms control advocates in Congress. A significant change in this policy of forthcomingness would, however, entail a definite risk that the Shah would counter with actions against US military and intelligence assets in Iran and most probably on the US economic and commercial interests as well. Moreover a policy of curtailment of military
sales would in some specific cases cast an invidious comparison between what the US were doing for Iran and what the Soviets were doing for their client Iraq. The question would also arise as to whether a policy of greater military sales restraint did not pose inherent contradictions in the US long-standing policy of building up Iran as a bulwark against easy Soviet expansion into the area.  

A memorandum prepared by the Director of Central Intelligence, Washington on November 4, 1976 to Ambassador and Chairman of Human Resources Committee stated that the question of Iran's moderate military build-up was a key US policy. The Shah had already indicated that if the US cut off arms supplies he would turn elsewhere. Significant purchases from other countries, including the Soviet Union, lend substance to his determination. Full success is curtailing Iran's arms acquisition programme, therefore, could only be achieved by a general moratorium of arms transfers to the area by all arms suppliers. Unilateral efforts by the US would not achieve such a purpose. Between the extremes of a total cut-off and
unlimited supply, however, the US believed there was a room for maneuver. The outcome would be influenced by how effectively and persuasively the US could move toward reaching mutual agreement with Iran on the nature of the current and future threats and what was required to meet them. "In many respects this consultation process should be akin to the US-Israeli Model. It would involve not only detailed examination of the regionally political-military examination of Iran's financial and human resources. But also its infrastructure and its absorptive capacity."\textsuperscript{27}

The objectives of the US policy and interests were already laid down and the principal courses of action in support of these interests or objectives were:

(a) continue the sale of conventional arms to Iran, attempting through closer technical consultation between the US and Iranian defense establishments to convince Iranian policy-makers of their own interests in being more selective and drawing out the pace of arms modernization for more effective absorption. Emphasize
mutual interest in a strong, secure Iran through close consultations between the two governments, including adequate exposure of the Shah to the President and the Secretary of State, as well as frequent contacts at several levels involving high officials in Washington as well as the Ambassador and his staff in Tehran. Note at the same time the United States Government's basic commitment to a lower level of armaments throughout the world to which the US hoped and expected Iran would make its contribution. The chances of US achieving such a reduction of armaments would be enhanced to the extent that the US could: (1) Convince Iran of US continuing reliability as a supplier of needed arms and technical services, (2) develop broad international support (including that of the U.S.S.R.) for lowering the level of arms transfers, and (3) help improve the security situation in the region around Iran, through such possible developments as a lower rate of Iraqi armament (associated perhaps with an Arab-Israel settlement) or a more meaningful Indian-Pakistani reapproachment. (Note in this connection that withdrawal of US and Soviet forces
from the Indian Ocean would not in itself lower Iranian concern about the future intentions of neighbours such as India or Iraq. The ARMISH/MAAG mission, even if pared down in numbers of United States Government and private technical personnel assisting Iran's military modernization through programmes paid for entirely by the Iranians. An increase in the personnel of the Embassy's PCL/MIL section should help give direction to this effort.

(b) Continue the US intelligence co-operation with Iran so as to provide a continually improved joint product and demonstrate the US continuing interest in Iran's security at a time when the US should be urging smaller but more selective purchases of arms.28

Yet another US secret document of February 16, 1979 spoke of the political crisis in Iran and the exposure of foreign suppliers to import cut-backs. The document noted that the political crisis in Iran already had curtailed imports and triggered cancellations of some major contracts for future deliveries. Even if the new Khomeini backed regime succeeded in restoring order, imports were unlikely to return to any where near
the $18 billion annual rate of a few months ago. Foreign constraints as well as new economic priorities pointed to a much smaller Iranian market for foreign goods. This document surveyed the exposure of foreign suppliers to an Iranian import cutback; it did not attempt to estimate the extent of sales losses or the impact on particular industries and supplier role of the developed countries. The developed countries have been by far Iran's largest suppliers, providing 85 per cent of total imports; the less developed countries contributed roughly 10 per cent and the communist countries about 5 per cent. Manufactured goods comprised the lion's share of imports; foodstuff for 13 per cent and raw materials for 6 per cent. The commodity composition differed markedly by exporting group in 1977 only 8 per cent of imports from developed countries where foodstuff, and two-third of these came from the United States. Almost half of LDC sales were foodstuff.29

The United States, West Germany, and Japan had held the largest market shares. In 1977-78, the United States supplied 24 per cent of Iranian imports from the major
developed countries. West Germany 22 per cent, and Japan 18 per cent. Other important developed country suppliers included the United Kingdom (9 per cent), Italy (8 per cent), and France (6 per cent). Manufactures accounted for more than 90 per cent of developed countries exports to Iran with capital-intensive products predominating. The key sales items, in order to value, were industrial and electrical machinery, motor vehicles and parts, iron and steel, chemicals, and aircrafts. On top of it Iran was an export market of the United States of America. Exports from the United States of America to Iran grew from $2.7 billion in 1977 to an annual rate of $3.7 billion in first nine months of 1978, accounting for 2.7 per cent of total US exports. Manufactured goods made up about four-fifths of the total and the agricultural products most of the rest. The US aircraft industry sold nearly 8 per cent of its commercial exports to Iran, the largest share for any US industry. Should Iran cancel order for commercial aircraft, the impact would be softened by the industry's strong order backlog and a willingness of other customers to move up their delivery
dates. Sales to Iran also accounted for a significant share—about 3 per cent of total US exports of iron and steel and industrial machinery.30

US military goods deliveries to Iran declined substantially last year (1978) because of fall in deliveries or aircrafts and missiles, which together accounted for about 90 per cent to total shipments in 1977. Shipments of ammunition and vehicles on the other hand jumped in 1978. Given the phased delivery of big-ticket items such as aircrafts, the value of military deliveries varied widely from quarter to quarter. US firms further increased their exposure in Iran in 1977-78 by signing an estimated $4.5 billion in new contracts. The largest contracts were for military goods and services, communication networks, and construction projects. In addition, contracts valued at about $2.7 billion for highway construction were won by joint French-US ventures.

Military suppliers were the hardest hit by contract cancellations. Roughly $7 billion in outstanding US military contracts for weapons purchases were cancelled by the Bakhtiar government to save foreign exchange and
to curb the largest military build up. Major contracts
cancelled included the F-16 fighters, air warning and
control system (AWACS) aircrafts, two Spruance class
destroyers, and RF4E reconnaissance aircrafts. Sales
of missiles and armoured vehicles would also be reduced.
Iran would initially pay termination and default charges
on contracts if it cancelled from a trust fund Tehran
has established with the US government. If weapons
originally ordered by Iran could be sold to other buyers,
Iran would receive same repayment.32
NOTES AND REFERENCES


8. Documents from the US Espionage Den (6): US Interventions in Iran (1), Muslim Students following the line of the Imam, Tehran, no date, pp.24-27.

9. Ibid., p.42.

10. Ibid., p.43.

11. Ibid., p.45.
17. *Ibid*.
22. *Ibid*.
25. *Ibid.*, p.120
29. *Documents from the US Espionage Den (No. 1 to 6).*
   Tehran, no date, pp. 553-555.

