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PA/HO Department of State
E.O. 12958, as amended
June 21, 2006

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Authority VND978042
By EW/NARA Date 5-14-02

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TO SECSTATE WASHDC IMMEDIATE 9510

~~C O N F I D E N T I A L~~ TEHRAN 4185

LIMDIS

SUBJ: SHAH'S DESIRE FOR INCREASED OIL SHIPMENTS
TO UNITED STATES, IN RETURN FOR IRANIAN
GUARANTEE TO PURCHASE U.S. EQUIPMENT.

REF: TEHRAN 4174

1. SHAH SAID ONE IMPORTANT SUBJECT HE WOULD DISCUSS WITH PRESIDENT NIXON IS IRAN'S DESIRE FOR INCREASED OIL SHIPMENTS TO U.S. IN RETURN FOR IRANIAN GUARANTEE TO SPEND PROCEEDS ON U.S. MILITARY AND CIVILIAN EQUIPMENT. IRAN WAS WELL SATISFIED WITH U.S. EQUIPMENT AND IN PERIOD AHEAD WHEN IRAN MUST BE ELECTRIFIED AND FURTHER INDUSTRIALIZED THERE WOULD BE NEED FOR A WIDE RANGE OF HEAVY INDUSTRIAL EQUIPMENT SUCH AS GENERATORS PRODUCED BY GENERAL MOTORS AND GENERAL ELECTRIC, AGRICULTURAL EQUIPMENT, HEAVY INDUSTRIAL AND CONSTRUCTION EQUIPMENT, ETC. TO PURCHASE SUCH ITEMS, AND ALSO MILITARY EQUIPMENT, FROM U.S. , IRAN NEEDED TO EXPAND ITS OIL SHIPMENTS TO U.S. HE FELT STRONGLY IRAN SHOULD HAVE A QUOTA OR SOME SIMILAR ARRANGEMENT. WHILE AMERICAN INTERLOCUTORS HAD POINTED OUT TO HIM THAT U.S. DID NOT ALLOCATE QUOTAS TO COUNTRIES BUT GAVE QUOTAS TO IMPORTERS, THIS WAS NOT REALLY ACCURATE AS PROVEN BY QUOTA-TYPE ARRANGEMENTS WE HAD WORKED OUT WITH VENEZUELA AND CANADA AND OIL IMPORTS THAT FLOWED THROUGH VIRGIN ISLANDS BY SPECIAL TYPE ARRANGEMENT WHICH WERE NOT SUBJECT TO REGULAR U.S. IMPORT QUOTA LIMITATIONS. HE TRUSTED THAT SOME SUCH SPECIAL ARRANGEMENTS COULD ALSO BE WORKED OUT FOR IRAN.

2. IN RETURN FOR SUCH SPECIAL ARRANGEMENTS, IRANIAN

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GOVERNMENT WOULD GUARANTEE TO SPEND PROCEEDS ON U.S. EQUIPMENT. HE DID NOT THINK THERE WAS ANY COUNTRY THAT WAS WILLING TO MAKE SUCH A COMMITMENT AND HE REMARKED WITH A SMILE THAT HE ASSUMED WE WOULD NOT BE AVERSE, IN VIEW OF OUR BALANCE OF PAYMENTS PROBLEM, TO IRANIANS PURCHASES WHICH COULD RUN UP TO \$400 MILLION A YEAR. HE MADE CLEAR THAT HE WOULD STRESS TO PRESIDENT THAT SOME ARRANGEMENT FOR INCREASED OIL EXPORTS TO THE U.S. WAS OF VITAL IMPORTANCE TO IRAN AND, IN HIS JUDGEMENT, ALSO SERVED NOT ONLY COMMERCIAL BUT ALSO POLITICAL INTERESTS OF THE U.S. SINCE HE KNEW WE WISHED TO SEE A STRONG STABLE AND INDEPENDENT IRAN THAT COULD CONTRIBUTE TO STABILITY IN THIS UNSTABLE AREA.

3. IN THIS CONNECTION, HE SAID HE WOULD LIKE TO OFFER ONE INFORMAL OBSERVATION. HE FELT THAT RATHER THAN TRYING TO TREAT ALL COUNTRIES GENERALLY ALIKE, THE U.S. AND IRAN SHOULD BOTH TRY TO DEVELOP ESPECIALLY CLOSE AND COOPERATIVE ARRANGEMENTS WITH COUNTRIES THAT SHARED THEIR BASIC POLITICAL AND INTERNATIONAL PHILOSOPHY, AND WERE IN A POSITION TO WORK TOWARDS STABILIZING AREAS THAT TODAY WERE IN A PRECARIOUS POSITION. SPECIAL RELATIONSHIPS OF THIS KIND COULD BE EXTREMELY HELPFUL IN DIFFERENT PARTS OF THE WORLD WHERE THE COUNTRIES ENJOYING SUCH A RELATIONSHIP WITH THE U.S. COULD "CARRY THE BALL" AND EXERCISE AN INFLUENCE FOR STABILITY AND PEACE WITHOUT THE U.S. HAVING TO BECOME TOO DIRECTLY OR OVERTLY INVOLVED.
GP-3 MACARTHUR

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