

DECLASSIFIED
Authority *VND 970042*
By *EW* NARA Date *5-14-02*

NA 1157
BOX 755
Area III Chesapeake



11th March, 1970.

Dear Mr. President,

I thank you for your letter of 23rd February, and I was very glad to receive your views and opinions on various questions of mutual interest to our two countries.

The kind attention which you have given to the matter regarding the training of Iranian pilots and the despatch of Blue Suit personnel to my country is highly appreciated.

You are no doubt aware, Mr. President, of the extent to which I am devoted to the cause of general disarmament and world peace. But so long as this achievement is out of reach we cannot leave the fate of our country in the hands of chance, and perforce we must sustain a sufficient military force capable of defending us against any potential enemies. Meanwhile, we shall direct our efforts to the maintenance of the very high rate of social and economic development which we have set ourselves to pursue.

In connection with the realization of all these plans, we would have expected particular attention to be paid to the question of oil, especially as I had previously stated that we would use the revenue in dollars accruing from the sale of our oil in your country for the purchase of arms and other equipment from the United States of America which at the same time would perhaps help your balance of payments. So far however, not only has no substantial progress been made in this respect, but the conditions for procuring our requirements from your country have become more and more difficult.

From a first indication, it appears that terms and conditions for the 8th tranche credit are extremely hard. Indeed they have progressively become harder ever since 1964 when arrangements for purchases of arms were initiated. I am now informed that for the 8th tranche, it is suggested that only fifty per cent of the total credit required to cover Iran's arms orders for FY 1970 will be made available by the Department of Defence and the balance has to be obtained from commercial banks in New York.

You are well aware, Mr. President, that in the present market conditions it is not an easy matter to raise over \$50m in New

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York. Indeed banks can only provide such facilities by obtaining funds from Europe, with a consequent interest rate of 10 1/4 - 10 1/2 %.

The part of the credit provided by the Department of Defence seems to bear interest at the abnormally high rate of about 7 1/2 %. There is of course the additional cost of the guarantee to be given by the Department of Defence and the commitment fee of New York banks.

Looking ahead at our future requirements, these worsening conditions place an intolerable burden on the resources of a country irrevocably committed to rapid economic development and social progress while maintaining sufficient military forces for her own security.

Mr. President, I leave the judgement of this matter in your own hands and I shall be glad if you will give it every consideration.

The Empress joins me in sending to you, Mrs. Nixon and your family our best wishes for your personal happiness and the continued prosperity of your great nation.

Sincerely,

M. R. Vahlert

*The Honourable
Richard M. Nixon,
President of the United States of America,
WASHINGTON, D. C.*