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By WDP NARA Date 5/2/02

DEPARTMENT OF STATE

S/S 5798

Approved in U -
Mr. Stempel, 4/23/70

Memorandum of Conversation

DATE: April 14, 1970

SUBJECT: Military Credit Sales Program for Iran

PARTICIPANTS: Department of State
The Hon. Elliot Richardson, Under Secretary of State
Mr. Jack C. Miklos, Country Director for Iran, NEA
Mr. Christian Chapman, Director, PM/MAS

Department of Defense
General Earle G. Wheeler, Chairman, Joint Chiefs of Staff
Captain Robert P. Hilton, USN, Office of Chairman, JCS

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Reviewed by: *Allen*
Date: 6/30/78

DEF 19-825- Iran

Mr. Richardson opened the conversation by noting that although he had spoken with General Wheeler on the phone about the question of Iran's military requirements, he thought it would be useful to explore the matter in a bit more depth. He was shortly going to be in Iran seeing the Shah and expected that this would be one of the main subjects of conversation. Specifically he wanted to know what General Wheeler's thoughts were on Iranian capability to absorb the kind of equipment it had in mind in its new five-year acquisition plan.

General Wheeler said he thought the Iranians would have trouble digesting all of the equipment they have in mind in the time frame presently contemplated. He thought that it would be particularly difficult to train enough pilots to man the four additional squadrons of F-4's that were in the plan. There were also maintenance and the training of maintenance personnel problems involved with such a large acquisition in such a short period of time. He noted the pilot problem was aggravated by the fact that Iran requires jet pilots in both seats of its F-4's in contrast to one required in our own air force.

NEA/IRN:JCMiklos

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Mr. Richardson asked where these pilots are trained. General Wheeler replied that they were trained in the United States and that we had 75 spaces earmarked for Iran for the next two years. He noted that this represented 1/2 of all spaces available for foreign pilots trained in the United States.

Mr. Richardson then asked whether the stretch-out proposed by Ambassador MacArthur made sense. General Wheeler said that he thought a stretch-out would make more sense from Iran's absorptive capability point of view and it would also make more sense with regard to financing. He noted that the additional squadrons of F-4's by themselves amounted to approximately \$362 million.

Mr. Richardson then asked whether Iran needed four additional squadrons of F-4's. General Wheeler replied that Iran could probably use two additional squadrons of F-4's and an additional two squadrons of some F-5 follow-on plane such as the P-530 or the modified version of the F-4, the F-4E(F). The Shah could use these better than F-4's in close ground support work. He noted, however, that the Shah has very firm ideas on this subject and it will be very difficult to convince him otherwise. He said Ambassador MacArthur had warned him before seeing the Shah that a "big brother knows it all attitude" simply would not wash with the Shah. He agreed with Ambassador MacArthur's judgment.

General Wheeler moved on to the question of the 36 additional C-130's included in the Shah's plans. He said that the Shah indicated a need for these in order to be able to move a battalion or two to threatened areas. General Wheeler said that in discussing this question with the Shah, without it ever having been stated explicitly, it was clear that what the Shah really had in mind was acquiring a capability to go to Saudi Arabian defense should the need arise.

Mr. Richardson said that he assumed that should we all agree that it would be a good idea for him to let the Shah know that we were willing to extend our 1968 undertaking for a few more years that Ambassador MacArthur and General Twitchell

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could work out the details with the Shah and his advisors. General Wheeler agreed that no special mechanism or mission need be appointed and indeed he doubted that anyone would be as competent as Ambassador MacArthur and General Twitchell in this undertaking. He said that he felt the MAAG in Tehran was one of the best in the world.

Mr. Richardson inquired about possible alternatives the Shah had and the problems that the exercise of these alternatives might give him. General Wheeler replied that he thought there were a number of factors that favored the Shah's desire to continue to get equipment from the U.S. even though it was more expensive and perhaps not on as favorable terms as elsewhere. Paramount was the Shah's feeling of special relations with the US, which he considered the leader of the free world. This was a most important and valuable psychological factor in the Shah's thinking. Secondly, American equipment is familiar to the Shah and the Iranian armed forces and they are organized to use and maintain U.S. equipment. A shift to other suppliers would of course involve the establishment of a second source of supply with different standards, maintenance requirements, training requirements, technicians, etc. Should the Soviet Union be considered a source for sophisticated equipment it would mean the introduction of Soviet military technicians into Iran, something which the Shah did not want. In the case of the French it has been other people's experience that while the French are pretty good on delivering the original item they are difficult and slow when it comes to spares. General Wheeler felt that the Shah was well aware of all these factors and gave them serious weight in thinking about alternatives. In the end, however, the Shah was determined to provide for his security as best he could and we could not rule out completely the possibility of his turning elsewhere if he were seriously frustrated in his dealings with us.

Mr. Richardson turned to the question of NSSM-66 and the fact that it had not yet been run all the way through the executive machinery. He said that he knows this concerns Warren Nutter. On the other hand, he believes that a reading of NSSM-66 clearly points in the direction of the conclusion that we have no real option but to bank on Iran. General Wheeler agreed, noting there was no one else in the area.

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Mr. Richardson went on to note that there were of course some other considerations in NSSM-66 such as our relations with the Trucial States in the post-1971 period which needed to be considered but that this in no way affected the fundamental proposition that our best bet was with Iran and encouraging cooperation among the Persian Gulf states. General Wheeler said that he believed the Iranians and Saudis were already making good progress toward cooperation. They both shared the view that the Persian Gulf was vital to their interests and that Communist and radical Arab influence should be kept out of the area. General Wheeler felt this was a powerful incentive to further cooperation.

Mr. Richardson then noted that he was also going to have to face the oil question with the Shah. General Wheeler remarked that the Shah simply does not understand why we cannot help him out in this regard and he probably never will understand. He says the Shah views this as a straightforward proposition which has obvious advantages to the U.S. We buy more oil from him which helps him with his security purchases and he in turn undertakes to guarantee that every penny of the proceeds will be spent in the United States which helps out our balance of payments. General Wheeler said that the Shah decried large liftings of oils in the Persian Gulf area and singled out Kuwait specifically for criticism. He said the Kuwaitis had over 900 million pounds deposited in London banks that they don't know what to do with. He said the absurdity of the situation was illustrated by a report he had heard that the Kuwaitis were even considering air conditioning the streets of downtown Kuwait.

Mr. Richardson concluded the meeting with his observation that he believed that he needed to have something in hand when he met with the Shah. He very much appreciated General Wheeler's views on this subject and was pleased to note that they coincided with his own. He said that he would be in further touch with Mr. Packard. General Wheeler assured Mr. Richardson of his support.

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