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## MEMORANDUM FOR DR. KISSINGER

FROM: Harold H. Saunders

SUBJECT: Approval of F-4 Sales to Iran

You will have seen the telegrams from Tehran saying that the question of USG approval for the sale of seventh and eighth squadrons of F-4 aircraft to Iran is now out in the open and that the Shah has asked his Chief of Staff to find out what the USG position is. Behind this query was the fact that the representative of the McDonnell-Douglas Aircraft Company, which makes the F-4, had told the Iranians that the U. S. government was holding up a contract and that unless the Iranians signed a contract right away the price of the F-4 would go up. On that point, Defense Department has a commitment now from McDonnell-Douglas saying that the price will remain the same at least through March of next year.

Defense circulated last night a draft telegram which was totally unacceptable, and Secretary Laird has written a letter to Secretary Rogers. This will take a couple of days to iron out, although I have made clear to Defense that its initial approach would not be approved here.

The argument revolves around the following positions:

-- The Defense Department believes that this additional equipment is not warranted by the military threat to Iran; that the Iranian Air Force will have technical difficulty integrating the additional equipment within the next four years because it is already introducing over a hundred of these aircraft in that period and having manpower problems in handling them; and that the financial burden is at the moment beyond Iran's or our capacity to manage. There are also attractive possible alternatives to these aircraft which should be considered--the probability that a follow-on aircraft to the F-5 will be available by next spring and the possibility that there may be surplus USAF F-4's available by 1974 or 1975. Either of these alternatives would be cheaper for the Shah and simpler to handle either because of the simpler aircraft or because of delay in delivery.

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-- The State Department argues that the way to approach the Shah is not to tell him he cannot have the seventh and eighth squadrons but rather to say that he can if he needs them but he does not have to decide right now and there is some advantage in looking further at the alternatives which we would be glad to discuss with him. State's approach is not to try to dissuade the Shah but to make sure that he has had a chance to consider possible alternatives which might be advantageous to him.

I have talked with both State and Defense to press the line that nothing should be done to call into question U. S. support for Iran's military development but that--within that framework--there is no reason not to have a discussion with the Shah about possible reasonable alternatives that our production plans may offer provided that can be done in a way that does not upset the political relationship.

A holding telegram has been sent to Tehran saying that the McDonnell-Douglas report that the USG is planning to hold up the F-4's is not true and that we will be prepared to discuss all the elements of the decision shortly.

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