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By K NARA Date 5/7/02DECLASSIFIED
PA/HO Department of State
E.O. 12958, as amended
June 21, 2006~~SECRET~~
MEMORANDUMTHE WHITE HOUSE
WASHINGTON*Q*
ACTION
23381

November 6, 1970

MEMORANDUM FOR DR. KISSINGER

FROM: Harold H. Saunders *Hal*
SUBJECT: F-4 Squadrons for Iran*Saunders notified
7:30 p.m. 11/6 +
called State.
Action completed.
HHS*

You asked me to discuss with you the issue of the seventh and eighth F-4E squadrons for Iran. I now have a State-Defense telegram in draft for your comment (attached).

I am fully aware of the importance of not doing anything to undercut the President's relationship with the Shah or the Shah's confidence in the U. S. as a supplier of the arms he needs. The Shah believes he has a commitment to these two squadrons--which is a central fact--but I doubt the President ever did more than promise general continued support.

The problem in this instance has been created by the McDonnell-Douglas Corporation's efforts to rush the government of Iran into signing a contract for the seventh and eighth squadrons by December 1st. The Defense Department has been in touch with McDonnell-Douglas and has gained their assurance that Iran's option on these aircraft need not be exercised before March 1, 1971, and an assurance that there will be no change during the intervening period in price, terms or delivery schedules from those which Iran wants. So the pressure of time on this decision has been removed.

The response to the Iranians in the attached telegram is essentially the following: We recognize that it is Iran and not the U. S. that will determine what it needs to buy for its security. However, since our advice has been asked, we want to make available to the Iranians facts which we are aware of that may figure in their final decision. One of these is that a slight modification of the F-4E aircraft with less electronics is now in prospect via a possible cooperative arrangement with the West Germans. This would cost \$1 million less than the aircraft McDonnell-Douglas is now pressing on the Iranians and yet would have essentially the operational capability that Iran needs. This could amount to a saving of something like \$34 million for the Iranians. Another factor to be considered, given the

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tightness of Iranian and U.S. financial resources, is the relationship of these purchases to other military purchase plans. Finally, the timing of deliveries relates to the training of Iranian manpower to handle the additional aircraft, and a study is now going on in the Iranian forces with the cooperation of our MAAG to determine these relationships. This study will be finished next month.

The main thrust of the response, therefore, is that the Iranians do not have to make up their minds until next March 1, and we suggest their waiting until their study of total force and financial needs is completed next month.

This draft telegram is a far cry from the initial Defense Department position which set out to dissuade the Shah altogether from purchasing the seventh and eighth squadrons. This in essence says that we do not intend to oppose selling those squadrons once the Shah is satisfied on exactly what version of the plane he wants and that the financial resources and manpower will be available to manage them within the delivery schedules proposed.

Recommendation: That you authorize me to clear the attached telegram.

Approve HK

Disapprove _____

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