



DOD, OSD,  
76-067,  
Box 73  
Iran (1970)

ASSISTANT SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

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

7 DEC 1970

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In reply refer to:  
I-25939/70

INTERNATIONAL SECURITY AFFAIRS

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: F-4s for Iran

On 15 October you addressed the question of Iran's desire to purchase 73 F-4E and 4 RF-4E aircraft (Tab A). Your decision was to approve the 4 RFs and only 39 F-4s at that time and to urge that State and Defense undertake a vigorous effort both here and in Teheran to dissuade the Shah from purchasing the balance on the grounds that they were militarily unnecessary, would overtax Iran's limited technical capability and could have a serious impact on the arms balance in the Persian Gulf. You also accepted our recommendation that you be prepared to reconsider this decision if we were unsuccessful in dissuading the Shah. Although we have registered our reservations on Iran's acquiring the last two squadrons of F-4s at various levels in the Shah's entourage, his reactions have been anything but positive and the increasing shrillness of his statements suggests that our efforts are becoming counterproductive. In addition, negotiations between the Government of Iran and McDonnell-Douglas have foundered over the disparity between the projected cost of a commercial transaction and that of an FMS sale. The Shah has now decided to purchase the F-4Es under FMS.

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The implications of this second development bear directly on our need to move expeditiously on the 7th and 8th squadrons. Unlike the McDonnell-Douglas "fixed price" offer (under which these last two squadrons could be purchased as late as 1 March 1971 with no increase in price), there is a significant difference in estimated cost if aircraft are ordered under FMS before 31 December 1970. Under FMS, aircraft ordered before that date will bear an estimated flyaway unit price of \$3.71 million while, after that date, the price is estimated to rise to \$3.84 million. (Iran has been given an FMS unit cost estimate of \$3.77 million, the average of these two prices for 73 aircraft). Since the 7th and 8th squadrons, plus two attrition F-4s, amount to 34 aircraft, our forcing Iran to delay its purchase beyond 31 December would increase the total cost to Iran by \$4.42 million. The Shah would be understandably disturbed when he became aware of this additional cost, as he undoubtedly would, and there probably would be serious repercussions.

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GROUP 4  
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We are still convinced that the points made in your 27 October letter to Secretary Rogers (Tab B) remain valid, i.e., that there is no military requirement for the 7th and 8th squadrons and that there are serious drawbacks to Iran's acquiring such a large number of F-4s. State now recognizes that the military justification for the sale is extremely weak but has argued that it would be futile to attempt to dissuade the Shah from buying the last two squadrons and that we should agree to sell them on political grounds. We are now being pressed strongly on this point.

Defense has succeeded in raising our points of reservation with the Shah and in emphasizing within the USG that the sale must be justified as a political, not a military, requirement. It is my judgment, however, that in the final analysis State and the White House will insist that the sale be approved. In light of this probability, I see no merit in continuing to block the purchase of the last two squadrons until our Iranian friends are forced to pay an additional \$4.42 million.

I therefore recommend that DOD withdraw its objection to the sale of the last 34 F-4Es.

Atchs: a/s

APPROVED

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9 DEC 1970 *Edw. M. ...*

DISAPPROVED \_\_\_\_\_

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