

## **Memorandum of Conversation<sup>1</sup>**

Washington, April 12, 1962, 9:30 a.m.

- SUBJECT
- United States-Iran Relations
- PARTICIPANTS
- The President
- The Shah of Iran<sup>2</sup>
- Abbas Aram, Foreign Minister of Iran
- Dean Rusk, Secretary of State
- Robert S. McNamara, Secretary of Defense
- Phillips Talbot, Assistant Secretary of State
- William S. Gaud, Assistant AID Administrator
- Julius C. Holmes, U.S. Ambassador to Iran
- Hosein Qods-Nakhai, Iranian Ambassador to U.S.
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The President and the Shah retired to the President's office. The remaining members of the party talked in the Cabinet Room.

The Secretary of State welcomed the Iranian Ambassador and the Foreign Minister and expressed the satisfaction of the United States at this opportunity for the President and the Shah to meet together. He said that in thinking about Iran's part of the world he had concluded that it was important to all to strengthen the regional relationships of the CENTO area. He mentioned regional disputes such as the Afghan-Pakistan problem and the Kurdish troubles. He requested the views of the Iranian officials as to the political health of the area. The Foreign Minister expressed appreciation for the welcome accorded the Shah and his party. He said that more should be done to build up the solidarity of CENTO. Iran would make certain proposals to this and at the upcoming CENTO Ministerial Meeting. It would be good to have periodical meetings of the leaders of the CENTO countries. In the case of the regional members, meetings might be held once every month or so.

The Foreign Minister expressed his concern that Pakistan Foreign Minister Qadir might not attend the London meeting, since his absence would weaken the meeting, and give rise to reports that Pakistan was losing interest in the alliance. It is known that Ayub feels the CENTO Commander should not be of British nationality, and Qadir's absence might be interpreted as a gesture of dissatisfaction with the appointment of a British officer to that post.

The Secretary of State agreed that it was important that Qadir attend the meeting. He suggested that, acting individually, the United States and Iran might tell Qadir of the importance of his attending the meeting. The Secretary mentioned that he himself, when he had heard that Qadir was not attending, was undecided whether or not he should make the trip. He had decided, however, to attend. He stated that the United States would inform London and Ankara that we and the Iranians will approach Qadir; the British and Turks might wish to follow suit.

The Secretary of State pointed out that CENTO should not be merely a framework for bilateral talks between the United States or the United Kingdom

on the one hand and the individual regional countries on the other. The solidarity of the regional members themselves is a matter of real importance, and should spur frequent consultations among the regional members.

Ambassador Qods-Nakhai expressed the belief that the Ambassadors of each of the CENTO countries resident in each of the CENTO capitals might meet once a month. The Secretary of State said that he intended to invite the CENTO Ambassadors in Washington to lunch on a mutually convenient day before the London meeting.

The Secretary of State asked the Iranian officials for their views on the situation in Afghanistan. He said that the United States is concerned over the extent of Soviet influence and over the fact that Pakistan's difficulties with Afghanistan trouble our own relations with Pakistan. He wondered if Iran could do anything to help; and suggested that perhaps the Shah could exercise some influence on both countries.

Ambassador Qods-Nakhai said that Iran had sent messages to the heads of both states, but with little effect. A transit agreement has been concluded between Iran and Afghanistan. Iran had demonstrated its good will by offering transport rates that would barely meet costs. Then the Afghans had asked for a free zone in a port. Iran had responded favorably, but the question required further study. Iran believed that Bandar Abbas would be suitable place for such a free zone. Iran is concerned by developments in Afghanistan, particularly by the construction of military airports near the Iranian border. The Afghans plead as an excuse their troubles with Pakistan, but Iran is of course concerned with this type of Russian-sponsored construction.

Ambassador Qods-Nakhai remarked that Iran had always tried to have good relations with the Iraqis. Qasim is having trouble with the Kurds, which concerns all countries in the area. The Kurds of Iran, however, are quite happy and Iran is doing everything it can to improve their living conditions.

The Foreign Minister returned to the problem of Afghanistan, noting that Afghanistan represents a danger to Iran because the Soviets are trying to make it a showcase, and Iran is uncertain how long Afghanistan can remain independent under Soviet pressure. The United States and the United Kingdom do not seem to be as disturbed about the Afghan situation as is Iran. Iran finds it difficult to accept Afghan pretensions of friendship while Iranian officials there report that Afghanistan is drifting toward the USSR while professing neutralism. The Afghans are bringing in quantities of military equipment from the USSR, and the Soviets are building airports and roads there. The problem deserves special examination by CENTO.

Replying to the Secretary of State's question as to what attitude Iran would suggest that the United States adopt, the Foreign Minister said that it could be argued that any American action could push the Afghans into the grip of the Russians. The Afghans are devoted to their independence and are not inclined toward communism, although they are jealous of Iran and do not want Iran to become too strong. The Americans could advise the Afghans categorically that Afghanistan is following a dangerous policy in relying so heavily on Russian aid; they can be talked to.

The Secretary of State replied that we do advise the Afghans, but that there comes a point at which the relationship between the United States and Afghanistan could be endangered. He asked the Foreign Minister if it was important for the United States to maintain a presence in Afghanistan.

The Foreign Minister said that it was highly important for the United States to maintain a presence in both Iraq and Afghanistan. It often appears, however, that in disputes such as the Helmand waters problem with Afghanistan or the Shatt-al-Arab problem with Iraq, the United States gives the impression that it is siding with the other country rather than with Iran.

The Secretary of State remarked that these were examples of a serious global problem for the United States, in that one or both parties in local disputes desire the United States to take an active part in their resolution. One or both parties to those disputes then become angry over the role played by the United States. The Secretary emphasized the desirability of Iran's presenting its views at the London meeting with regard to current conditions in the general CENTO area.

The Secretary of State then described our uncertainty over the intentions and plans of the Soviet Union, reviewing the current situation with regard to the Berlin and nuclear testing issues. He asked the Iranians if they had any clearer view of Soviet intentions.

The Foreign Minister and Ambassador Qods-Nakhai discussed Iranian relations with the USSR, pointing out that the Russians have adopted a somewhat friendlier personal tone but without any change in their substantive position and with hostile radio propaganda continuing. The Russians have raised with Iran its membership in CENTO. There has been some discussion of an Iranian note or protocol, but at present there is no real contact between the Soviet and Iranian Governments.

The President and the Shah entered the Cabinet Room at this point.

The President said that he and the Shah had been discussing general questions of bilateral interest. The Shah had asked our impression of the military situation, and the President had expressed the view that no military build-up in Iran would allow Iran to stop a Soviet attack unaided. If the Soviets want general war, the President had said, they would attack the United States directly; thus, the President had said, a very large Iranian Army was not needed. The Shah had expressed concern over the prospects in Afghanistan over the next five years. Further, the Shah, while regarding his armed forces as loyal, had expressed his concern over the anxiety of many of his officers who see the United States giving more military aid to other countries than to Iran, saying that America treats Turkey as a wife, and Iran as a concubine. The President had indicated our strong feeling that the main problem in Iran was internal, and had noted that because of the Shah's support of a very strong Government in Iran, including a distinguished Foreign Minister and an

effective Prime Minister, the Shah had been more successful than in the past in mobilizing support for his long-range goals for Iran.

The President said that there were two problems for discussion: how to deal with military matters and how we can help in solving Iran's economic problems.

The Shah thanked the President for his summary, and expressed his concern over the extent of Russian military aid to Afghanistan. He said that Iraq also poses a strange problem--Qasim carries on no economic development and maintains a reign of terror, yet despite his struggle with the Kurds he manages to hang on. The Shah understood that all the Kurdish tribes except one were now united against Qasim, and if Qasim fails to control them great problems would arise. Although the Iranian Kurds are true Aryans, any minority can get restless, and the security of Iraq could be threatened. Turkey, which has a Kurdish minority of four million, could also be affected. Iran therefore needs more mobility for its ground forces and more aircraft. The Soviets have not intervened in the Kurdish problem, but they might well do so if the situation were to worsen. Many of the Barzani Kurds who have lived 15 years in the Soviet Union must be Soviet agents. Iraq has much Soviet military equipment, and in the present situation, the result of the Soviet military presence there could lead to incalculable results. Qasim has rejected the hand of friendship extended to him by Iran. Iran's relations with Iraq are complicated by the situation in the Shatt-al-Arab, where an unfortunate treaty<sup>3</sup> has placed control of the river in the hands of Iraq. Iraq could sink a ship in the river and block off Iran's one major port; Iraq is planning a port on the Persian Gulf which would lessen Iraqi dependence on the river, and is also planning irrigation works which would, by removing water, make river navigation difficult. Syria and Egypt, said the Shah, have switched to Soviet equipment and are receiving massive military assistance from Russia. Egypt has bombers, perhaps 12 destroyers, 9 submarines, heavy tanks, and other matériel which is a subject of great concern to Iran.

In Egypt, more troubles are in store. Pan-Arabism did not work; now Egypt is talking Arab socialism, which will also fail, since it runs counter to the Arab mind. When it fails, communism would establish itself in Egypt, and, in order to satisfy the restless Arab peoples, they might be led into some kind of foreign adventure, which Iran fears.

The Shah said that Iran has good natural resources and is not overpopulated. With maximum exploitation of its resources and maximum help from other countries, Iran could establish a high standard of living and a powerful economy which could enable it to carry its necessary arms burden.

The President suggested that the Shah might describe Soviet aid in the area at his lunch later in the day with the Senate Foreign Relations Committee. The

President added that we know the Arab states are unstable, but that a military attack would be directed against Israel, not Iran.

The Shah agreed, but added that the Arab leaders wish to take over the Persian Gulf area as well. The Russians cannot out-produce the Western world, but by seizing Middle East oil resources they could cripple the economy of the West.

The President said that the West could survive a seizure of Middle Eastern oil, with some difficulty, by the development of other sources of oil and adaptation to the use of other fuels. The general instability of the area in which Iran is located is a problem of more immediate concern to the United States.

The President asked the Secretary of Defense to tell the Shah something of our current views on the immediate military and strategic situation of Iran.

The Secretary of Defense stated that the President had asked him to examine the situation, and that he hoped to discuss his conclusions in detail with the Shah at their separate meeting the next day. In very general terms, we had concluded that the Iranian armed forces are too large and are not properly equipped. We believed it would be wise to reduce manpower levels by about 25 percent; the United States would be prepared to undertake a five-year program for the supply of necessary equipment, if Iran would agree to so reduce the size of its armed forces.

The President pointed out that many Iranian military officers are being trained in the United States, and that they doubt that they are getting first class equipment in the military assistance program.

The Secretary of Defense said that he understood this concern, and pointed out that in the contemplated five-year plan there were a number of very modern armored vehicles not yet in use by United States forces, and that fighter-bombers not yet even in production might be included in the plan.

The Shah asked how the proposed reduction of his forces would fit into CENTO planning, which calls for larger, not smaller, forces. He mentioned that so far not a single soldier had been committed by the CENTO countries for the defense of Iran.

The Secretary of Defense said that this question could be discussed at the Shah's meeting at the Department of Defense, and that General Lemnitzer could comment on it. He repeated the United States view that Iran required not larger forces, but more modern and mobile units.

The Secretary of State remarked that CENTO should not be a framework for bilateral negotiations between the regional allies and the United States and the United Kingdom, but should become an instrument of regional solidarity.

The President said that he recognized that Iran would get no help from Pakistan and Turkey if Iran were invaded; those countries would have their

own troubles. The United States must convince the Soviet Union that we will protect Iran. Iran had received strong assurances from previous United States Administrations; we endorse these assurances, and the Soviets know that we stand behind Iran.

The Shah said that he could not tell his people and his Army that they do not have a mission to resist Soviet invasion. If the Shah were to take troops away from the northern border, the people would feel that they were unprotected and would therefore try to make contact with the enemy in the hope of being treated well if an invasion occurred.

The President replied that the function of the Iranian armed forces is of course to resist attack from any direction. Their armed resistance, even if short, would provide time for other responses, and would be the first step in containing a Russian attack. The United States does not have unlimited resources. But within those resources, the United States wants to strengthen, not weaken, the Imperial armed forces in their capacity to fulfill their role. We give about as much aid to Pakistan as to Iran. We give much more to Turkey, but, as the Shah had said, all Turkey has is its Army.

The Shah said that he would be happy to discuss with the Secretary of Defense details of how mobile units could be strengthened. But the necessary number of soldiers must be retained to give the impression that the country would be defended. An Iranian soldier costs only \$150 yearly, making the cost of 50,000 soldiers only \$8 million each year.

The President remarked that much more than \$8 million was involved, when one took training, equipment, and other expenses into account.

The President asked the Secretary of State to speak on the subject of economic assistance to Iran. The Secretary emphasized the importance of economic development in today's world, and expressed great confidence in the progress being made in Iran under the Shah's leadership. He said that the United States wanted to give all the help it could.

The Shah described and endorsed the Third Development Plan, and noted the dangers of trying to do too much at once, as well as the problem of unemployment raised by the stabilization program. Among the more useful possibilities in relation to this problem would be the construction of housing for government employees as a substitute for pay raises. At present more than a third of these employees' wages goes for rent. Help in this field would be most useful.

The Secretary asked the Shah's opinion as to the importance of the Bandar Abbas port project. The Shah replied that this project was dear to his heart, that it would provide a fine harbor, reduce dependency on the exposed port of

Khorranshahr, open up an important region of Iran, be important in case of American military operations in Iran, and open up a shorter route to Afghanistan and reduce the Russian danger there.

The Shah said he hoped that American development loans in Iran would be for terms of forty years. The President remarked that United States development loan terms were softer than those of other Western countries, and expressed his desire that United States representatives at future consortium meetings do everything possible to bring the terms offered by these countries in line with our own terms.

The Shah said that Iran would require continuing budgetary support from the United States. The President indicated that Iran could expect no such aid in future from the United States, referring to the history of aid legislation, Congressional cuts in requests for supporting assistance funds, and the United States balance of payments' situation. He mentioned the basic difference between this type of assistance on the one hand and development lending on the other.

The President asked Mr. Gaud to discuss measures by which Iran could help itself with regard to its budgetary problems. Mr. Gaud suggested that Iran might unify its governmental, development, and military budgets and recognize their interrelationship, take measures to increase its revenues and mobilize indigenous resources, effect further economies, and improve governmental administration.

The Shah replied that although much could be accomplished in time, progress would be slow, and the stabilization program would result in a reduction of national income during the coming year.

In reply to a question from the President, the Shah said that there was no significant flight of capital from Iran.

The Secretary of Defense pointed out the interrelationship of military and non-military budgetary requirements, adding that an individual soldier actually costs a great deal more than \$150 a year, and that a reduction of 50,000 men would save a number of millions annually.

The President declared that in matters of foreign assistance our principal problem is the method of distributing our limited resources; we could never do all that we wished to do. However, he hoped to give the Shah, before he left Washington, a definite idea of what the United States could do for Iran over the next five years in the way of military assistance, as well as a more precise picture of the economic assistance which the United States could provide.

The Shah brought up the possibility of increasing Iran's oil sales. He noted that production costs in Kuwait were 21 cents a barrel but were about 27 cents in Iran. However, Iran must receive increasing oil revenues if it were to continue to exist, and if Iran ceased to exist, Kuwait's oil would also be denied to the

West. He hoped, therefore, that the United States Government and the major American companies would recognize the importance of increasing Iranian off-take.

The President said that if the Oil Consortium could get some special arrangement giving them a price preference on added production increments, or something along that line, we might urge the companies to increase further their Iranian production. He suggested to the Shah that the Iranians talk to the Department of State, more specifically to Under Secretary of State Ball to see what could be done.

The Shah noted that the oil companies had come close to promising Iran a 10 percent increase in off-take yearly. The most important thing in talking to the companies was to emphasize that if Iran remains free and stable, the oil will continue to be available; if Iran collapses the companies will have nothing.

<sup>1</sup> Source: Department of State, Central Files, 611.88/4–1262. Secret. Drafted by Talbot, Bowling, and Gaud; cleared in the Department of Defense on April 23; and approved in S on April 28 and in the White House on May 4. According to the President's Appointment Book, the meeting lasted until 11:59 a.m. (Kennedy Library)

<sup>2</sup> The Shah of Iran visited the United States April 10–18 and was in Washington April 11–13. Department of State Press Release No. 224, April 5, outlined the Shah's schedule during the visit, memoranda of conversations during the visit, cables, correspondence, and other documents relating to the visit. (Ibid., Conference Files: Lot 65 D 533, CF 2082) Memoranda of conversations held during the visit are in the Kennedy Library, National Security Files, Country Series, Iran Subjects: Shah Visit, 4/16/62–5/14/62. In response to a request from the Iranian Ambassador for a record of the Shah's conversations with the President and U.S. Cabinet members, the Department of State prepared a Summary of Conversations between His Imperial Majesty, the President, and the Secretaries of State and Defense. It is attached to a memorandum from Battle to Bundy, April 20. (Department of State, Central Files, 611.88/4–2062)

<sup>3</sup> A treaty between Iran and Iraq, concluded on July 4, 1937, recognized the validity of an earlier Iranian-Turkish protocol of 1913 and the Minutes of the Delimitation Commission of 1914, which in turn interpreted the Treaty of Erzerum of 1847.