

Memorandum of Conversation¹

Washington, April 13, 1962, 2:30 p.m.

- SUBJECT
- Last Formal Conversation Between Secretary and Shah: State Visit to Washington, April, 1962
- PARTICIPANTS
- H.I.M. the Shahanshah of Iran
- Abbas Aram, Minister of Foreign Affairs
- Hosein Qods-Nakhai, Iranian Ambassador to the U.S.
- Safi Asfia, Managing Director of the Plan Organization
- The Secretary
- The Under Secretary
- Fowler Hamilton, Administrator of AID
- George C. McGhee, Under Secretary for Political Affairs
- Julius C. Holmes, American Ambassador to Iran
- Phillips Talbot, Assistant Secretary, NEA
- William S. Gaud, Assistant Administrator, Bureau of Near East and South Asia, AID
- Oliver M. Marcy, Deputy Director, GTI
-

In opening the conversation and inviting the Shah to comment on any issues which he wished to pursue further following his conversations in Washington, the Secretary remarked on the favorable public response which both the Shah's visit and Iran's progress in the economic and social fields had made in this country. He believed that in a very real sense the U.S. and Iran were partners, and wished to know if the Shah agreed, what the Shah's plans were, and how the Shah felt as a result of his visit.

In response, the Shah stated that he had tried to be as clear as possible in all his conversations in Washington. Obviously speaking extemporaneously, he continued that his primary problem was how to promote social justice in Iran, and also how to utilize the untapped as well as the existing wealth of the country, agricultural and/or industrial. The aims are to raise per capita income, and to secure for the country a posture of both plenty and social justice. On one side, there was the question of state development to provide an incentive to his own people for investment. This they were doing: for example, there was a five-year tax exemption. There was also legislation providing a favorable climate for foreign investment. On the side of social justice, there were problems as regards land and labor. In the latter sphere, he was thinking of some formula to make labor shareholders in factories, or perhaps to give them a share in profits. As regards government employees it was not just a question of pay raises: housing was essential. He was also thinking of cooperatives or something in the nature of a civilian PX. The essential thing was not to force the civil servants to be dishonest. If their living conditions were improved, then he could be hard on them in the case of dishonesty.

The Shah continued that this was all part of what he described as "positive nationalism." This was true of Iran's foreign relations as well. This policy was based not on hatred but rather on friendship. He then turned to Iranian-United States relations and said "that is the basis of our relations with you, we

are not your stooges.” What the Shah was trying to put across, he said, was that it is possible to cooperate with the West. As he had mentioned the day before to Congress, the Shah’s policy is based on friendship with the Western powers. He then said he hoped that this policy would also be instructive as regards the African countries. They should not, as some were obviously doing, base their policies on hatred. Returning to his own internal problems, he said that what was necessary was to speed up development and raise the standard of living rapidly. He referred to the Soviets’ 20-year program enunciated at the 22nd Party Congress. We have great chances, he continued. Essentially Iran is stable; we have had no serious upheavals. We have a tradition of stability. For example, my trips throughout the country are eloquent witness of the response of the people. There is no possibility, so far as I am concerned (“perhaps your information services have information to the contrary”) that in the absence of outside intervention there will be any upset. It has not happened in Iran as it has happened elsewhere. This raises the question why? So far as the Shah could see, it was the brave start his father had made. For his own part, he thinks it is because as both King and Commander-in-Chief of the army he has kept the army and politics separate. Internally, this involved several interwoven problems. On the one hand Iran had a good plan, and is working toward social development. They had good administration—although admittedly it needed revision. On the other hand, there was the need for security. This was as much psychological as anything else. Iran’s borders must be secure. This was accomplished both through the bilateral with the U.S., and through the Iranians’ own will to resist. It was necessary, however, to give a firm impression to the people. They don’t need to know the details, but must know that the borders will be defended. Therefore the Shah could not allow himself to withdraw completely his military elements from the northern borders lest, among other things, the fear of occupation induce the people to establish contact with the Russians even before they come.

Turning to his neighbors, the Shah remarked that Turkey, Pakistan and other countries depend on their armed forces. “We, however, have the institution of the Crown. We also have strength—I don’t want something fantastic, but something worthwhile.” This helps boost morale. Internally reforms must be made. Sometimes measures are unpopular, for example constitutional reform. As he had told the President, personally his character had nothing of a dictator in it: in the long run dictators cannot last. But he must give his people the base on which to build. The Shah then alluded to the Belgian constitution, and said that if it was merely a question of a piece of paper, this could be adopted overnight. But it must be built, beginning in the village councils and on up, through the parliament. As regards parliaments, Iran had had one for many years. The Shah had never personally suffered from it; in fact he regarded it as the foundation of the state. This is not enough, however. In his view he could not permit the constitution to impair Iranian unity. “If it does so, let’s forget about it.” The Shah hasn’t forgotten it: “perhaps in just a few months time I may be forced to have a parliament.” But this should not come first. “I must put first the high interests of society and my people.” He thought he was making progress. He also thought he was having a desirable influence on his neighbors.

This line of thought led the Shah to dwell on the Afghan situation, which concerned him “seriously.” More and more the Afghan economy was falling into the Russian orbit. The Iranians were trying to help; they were offering the Afghans trade routes for many reasons, including their own benefit. This was one of the reasons the Shah was particularly interested in Bandar Abbas. A cardinal interest in Bandar Abbas was military as it would permit help to reach him more rapidly in the case of necessity. It would also have the additional advantage of offering the Afghans facilities. As for Iraq, unfortunately he just did not understand. For the last two years both the UK and the U.S. had told him the uncertainty would be “finished,” but so far as he could see the situation just continued to deteriorate. Just before he left Iran he was told that 12,000 Kurds were united in opposition to Baghdad. So far the Soviets had not gotten in, but if the situation gets out of hand, “if next summer the Kurds pass to the offensive,” then possibly the Soviets might be tempted. “We must therefore be on our watch, especially since we have Kurds, as do the Turks—incidentally the Kurds are the purest Persians, pure Aryans, from their tradition, their language and their history.” In Iran the Kurds have had no local success, as they have had in Iraq. The Shah is endeavoring to help them by building roads, schools, hospitals, electrifying their villages, paving their streets, building silos.

As regards Turkey, “our strong ally, and for which we have only real fraternal affection, I hope we need not worry,” the Shah continued. But, because the country is now divided and there is strong political hatred, because the army is now in politics, it is worrying. The army should be a national army, drawing strength from all sections of the country and all walks of life. But the Shah hoped that Turkey could pull through.

As regards the Arab world, “perhaps it is pure prejudice, but I just don’t like them.” Therefore we have some apprehensions, particularly when we see them talk about the “Arab gulf.” The Shah was referring to all the Arab countries except Jordan, Lebanon, which is not a military power, and Saudi Arabia. All the rest have switched to Russian arms. They have either sent their people to the Soviet Union, or have accepted missions of experts in the hundreds. Thousands of Egyptians have gone to Russia or Czechoslovakia, officers of the air force, navy, etc. Iraq also has the same policy—“It is true they are divided, and there is not much chance they can get together.” The Shah was sorry to say it, but his feeling was that if the President of Egypt “gets what he wants, he might be a source of danger.” He has started Arab socialism, “which cannot succeed;” it is not compatible with Arab nationalism. But what happens when it fails? The Shah had the feeling that “we, who are the open and declared allies of the West—we should succeed. I am sure that you want also to see your friends succeed.” He concluded his remarks by stating that he had not mentioned Pakistan because the Iranians really had no problems with the Pakistanis.

The Secretary thanked the Shah for his comments, which contained many elements of solid interest, and were very important to us. He wished to speak

first of what the Shah referred to as his policy of “positive nationalism,” which he interpreted as meaning independence of national policy in friendship with the West. We were “entirely comfortable” with such a policy. That is just the way we think the international community should be organized. Our view of the world community was well stated in the opening passages of the UN Charter. We were not seeking satellites as allies. As regards the neutrals, their very independence could be a source of concern to us. In a certain sense the U.S. was never less sovereign than it was today. Its responsibility has limited its freedom of action. He was reminded of a remark a friend had made to him that in an international negotiation, two countries could never reach accommodation unless each fully understood its own interests.

Referring to the Shah’s allusion to Khrushchev’s 20-year plan, he quoted Adenauer as being amused at “the luxury of being able to announce a program concerning which you would not have to answer any questions for 20 years.” Regarding the Shah’s remarks on the Arab world, we looked at the possibility of an Algerian resolution as perhaps presenting new opportunities both for France and for the Western powers. Algeria has been the worst problem. Of course, on the other side there was also Palestine which, together with Algeria, is the only unifying element in the Arab world. The Secretary continued that we are not completely discouraged with the direction of the Arab-Moscow relations; sometimes the temperature goes up, sometimes it goes down. Arab temperament and Arab nationalism are such that we thought they would cause the Soviets as much trouble as they have us and would in fact be a bar to the Soviet ambitions.

The Secretary then commented that the most important element was the sense of security. This was where Berlin was vital. Perhaps the Shah would like him to expand on the Berlin problem—unless the President had done so that morning. The Shah acknowledged that they had touched on Berlin, but not at length, whereupon the Secretary continued that Berlin was the principal issue over which a major clash could occur. The Soviets had been making insistent demands, which “cut right across the vital interests of the West.” Since June, in fact since the President and Khrushchev had met in Vienna last summer, it had seemed that the harsh Soviet line was designed to intimidate the West. This had led to the President’s July 25th demand to the Congress to increase our defenses. Since mid-September, it had seemed that the Soviets had been more moderate. In fact there was some evidence that Khrushchev had perhaps been a little surprised at the degree of the President’s reaction. As regards his own talk with Gromyko, on substance, that is on the merits, there had been no significant headway. There had been, perhaps, a change in the atmosphere and mood. The Secretary could be wrong, and it could change tomorrow, but he felt that the Russians were not driving toward a crisis or a diplomatic impasse. The Berlin situation could affect Iran in two major respects, first if there were a major clash—and the Secretary here emphasized that “We will not be driven out, for the consequence of that would be just as disastrous as a major engagement,” and we have been trying to make this known to Khrushchev. Secondly, it would weaken the Shah’s position if we were weak in Berlin. If we

are able to interject a note of caution in Soviet thinking in this respect, it could be reflected in their conduct in Southeast Asia and regarding Iran.

Turning to the economic, social development side, the Secretary continued that the U.S. is very much interested in Iranian progress. The Secretary understood that the Shah's plan would be ready in June. There would then be a consultative group under the Bank, "with the maximum U.S. interest in enlisting the efforts of a number of countries, in September." There was also the question of how to maintain the momentum before other countries undertook commitments. In this respect, there were a number of things that could be done: for example, Bandar Abbas, where we hoped to be able to respond favorably to a loan application somewhere in the order of \$20 million for foreign exchange costs. There were a number of other things that could be done. The Secretary had only two remarks to make. First, we are trying, and he asked the Shah "not to be understandably cynical too soon"—we are trying to establish a mechanism to make decisions more rapidly. This was basically a question of good administrative practice: the Secretary found it amusing that we were encouraging the Iranians to improve their administration at a time when we were also working in the same direction. The Secretary was trying to concentrate decisions in two places; with Ambassador Holmes, who would on the basis of his expert knowledge of the local scene, and in consultation with the Iranians, make recommendations, etc. The second focus was with Messrs. Gaud and Hamilton here in Washington: these two elements working together should be able to make decisions promptly.

The second remark the Secretary wished to make was that we recognize that international consultation may be cumbersome. But in the next decade we foresaw that the West would be developing common policies with regard to aid to less developed countries. For example, OECD was a symbol of this cooperation. There are nations who are already devoting to international development portions of their gross national product comparable to that devoted by the U.S., and in total somewhat more: this to development, not to military assistance. What we must do is to mobilize the resources of the free world for the long term: this was where the Iranian program was important. We propose to work with you and the International Bank. First there will be consultation no later than September. In the meantime, we must manage to maintain momentum. For this purpose we are prepared to entertain applications for development loans during the period before the plan is finally prepared. The Secretary wished to know whether this approach fit the Shah's thinking and approach to the problem. There was a very considerable number of things in which we are interested, but the Secretary did not believe it necessary to go into detail. It was basically a question of how best to use our own interest in Iran for its maximum leverage on others.

In thanking the Secretary for his remarks, the Shah stated that U.S. policy was a great comfort to him, to his people and to the region. He continued that he knew and accepted U.S. policy. Even when the U.S. was not directly concerned, it was interested in justice, international standards, etc. Therefore he looked to the U.S. For a long time Iran had been suspicious of the Western powers, particularly Britain and Russia. Therefore, in the First World War Iran had been pro-German. But now Iranian policy had switched to a pro-West policy,

and had every prospect of remaining so. Iran endorses U.S. policies. The Shah therefore understands the sense in which we agree with his “positive nationalism.”

As regards the Arabs and the Secretary’s remarks concerning a possible happy outcome to the Arabian problem, the Shah commented that he had friendly personal feelings towards DeGaulle and believed these were reciprocated. He had first warned DeGaulle about Algeria in 1959, pointing out that he was the only one who could resolve the issue. (The Secretary commented that this was “extraordinary counsel.”) The Shah was happy that the situation was improving, and envisaged that this would bring the Moslems together, particularly the Algerians and the Tunisians. He agreed that thereafter Arab nationalism would focus on Israel, but pointed out that Egypt did not “want” a solution. As he was coming to the U.S. this time, at the Beirut airport, the Lebanese Prime Minister had commented that it was now necessary to resolve the refugee problem, along the lines of the UN resolution. The Shah had not given him a direct answer, but Lebanese informants had told him that it was essential that the U.S. induce Chehab and Chamoun to get together. To an interjected question by Mr. Talbot as to whether this had been recently, the Shah replied that it was perhaps indiscreet to say so, but in fact this had been said by the Lebanese Ambassador in Tehran on March 21.

Turning to the EEC, Japan and economic growth in the West, the Shah continued that he had long told many of his European friends that they “could no longer get rich on the U.S.” As regards Iran, foreign powers could not just sell to Iran: they must invest in order to secure foreign markets. “Otherwise we will attract capital and you will suffer. We will offer favorable markets to those who invest capital in Iran.” The Shah was of the opinion that the European nations were inclined to help—perhaps not to the extent that the U.S. and he wished, but in any event to help. He then commented that, broadly speaking, the price of industrial imports tended to increase each year, whereas the prices of agricultural exports were declining. This was very difficult for a country like Iran, with an increasing population. With respect to aid, the Shah had talked to the President, who seemed to have liked the idea that Iran should take more and more P.L. 480. The possibility should be explored to the maximum. This would help him combat the rise in prices of agricultural commodities. Iran’s problem was complicated, of course, by a bad harvest. To this, Mr. Gaud commented that we are in agreement to the extent that there is a need.

The Shah then commented, in reference to AID, that the Iranians had decided to have an over-all budget. He continued that Mr. Asfia was having talks with various competent people in Washington. He was not aware of the details, but he assumed they were helpful. Mr. Hamilton agreed that there had been very helpful talks. In the course of this exchange, the Shah made a remark to the effect that the talks had been useful “to the extent that you are willing to give us the same kind of help you are extending to India and Pakistan.” He continued that “surely we will tax, we wish to tax,” but this is not a good year to start. Furthermore, the stabilization program made it difficult. Following a comment by the Secretary that he believed that the IMF was coming to Iran in

May in connection with stabilization, the Shah continued that it was also necessary in the long term to make the oil companies grasp the situation in order to have stability. Iran should “remain the bastion guarding the gateway to the Middle East.” Therefore, it was “in the oil companies’ interests that we should stand firm. They should see to it that our production is boosted; particularly when there is a choice of where to increase, they should naturally favor us.” This is especially so when others have so much income they don’t know what to do with it, for example Kuwait. Mr. McGhee interjected that it was difficult, because they were not the same companies, for example, in the gulf. To Mr. Ball’s statement that we understood that the Shah was going to talk with the members of the consortium, he said that he talked with them regularly. Just a month ago he had received five or six of them. They have promised to increase revenues 7 to 10 percent this calendar year. This, Mr. McGhee commented, would compound rapidly, and the Shah remarked that if they continued to increase up to perhaps 12 percent, it would naturally be of great importance.

To Mr. Ball’s comment that as the President had said, we intended to talk to the oil companies—what success we would have is questionable, however—the Shah remarked that he thought they would be favorably disposed since the Iranians were not causing them troubles, as was for example Iraq.

Mr. McGhee suggested that perhaps the Shah could speak to them more forcibly, directly, than could we, and the Shah acknowledged that that might be true.

Mr. Ball then addressed himself to the Shah’s comments regarding the adverse developments in terms of trade. We were thinking now not only in terms of the EEC but also the over-all general development in this respect. In many items Iran was simply not competitive. After some discussion on Iran’s competitive position, particularly with Greece and Turkey, Mr. Ball continued his explanation of the broad lines of U.S. policy. We were seeking free trade without preferential agreements. We were talking with the UK, France, and others seeking to eliminate preferential treatment and substitute commodity arrangements on a global basis. These were clumsy and difficult when perishable items were concerned. The U.S. is attacking the problem directly on an item basis, for example, coffee, cocoa, and minerals, seeking both stabilization in price, and income stability. From the point of view of terms of trade as such, the Shah was right. We are aware of the problem of the rise in industrial prices and can understand the Iranian anxiety regarding the Common Market. As regards our own trade policy, we had two points: (1) the most favored nation approach and (2) our new trade legislation. The latter would provide free access for certain tropical products and perhaps would be available for some Iranian products. In any event, we were very actively working on these problems. Mr. Ball agreed that over a period of time it could be serious if aid were vitiated by price fluctuations. He could give no assurances; it was a very complex problem but we were working on it.

The Secretary then turned to military questions, referring to the Shah’s conversations with the President and Mr. McNamara. He handed the Shah an aide-mémoire and annex,² which he described as “secret and setting forth our understanding of the way the talks went, at least of what we said.” It set forth what we were to do. The Secretary wished to underline that the program

reflected therein was intended to strengthen the Shah's military posture. For a while we had concentrated on manpower levels, but now we were seeking modernization, mobility, and the strengthening of firepower. We had felt that the military discussions were very helpful. The Shah asked if he could read the document, which he did. In response to the observation that we understood that when the Shah and the President and Mr. McNamara had talked last evening, one or two other matters were mentioned, that Mr. McNamara was to consider them and that the President and the Shah were to talk about them tomorrow, the Shah remarked that they would not necessarily alter the annex to the aide-mémoire materially. There was a question of the SS-11 guided anti-tank missile, but that would not change the list very much.

The Shah continued that he would naturally be very glad to receive the planning team to consider the reorganization of his forces. Although he personally agreed in the light of the fantastic retaliatory power that he had seen during his visit, and since also the Soviets know that any attack would mean war (but also that Iran could not defend effectively), nevertheless this did represent a completely new approach. It was different from CENTO, and that was a problem for him: how to explain to CENTO, and what would be its effect on the military committee? The Shah could not comment on that.

Ambassador Holmes interjected that this reflected precisely what the Shah had been seeking: more mobile forces, and greater striking power. Military plans were never static, and there should be no difficulty in explaining it. The Shah continued that stationing of these new units would be a problem which must be studied. He must also study the "static forces which we have to keep in the north in order not to give the impression that we are abandoning our territory. Well, this is a new approach, in any event." As he understood it, the material reflected in the annex "is for the rest of our conventional forces." To Ambassador Holmes' comment that there would be less concentration and more emphasis on transport and mobility, the Shah replied that these questions must be studied. He did not mind cutting his forces but there was a question of mobility and of the mechanization of these units, for example, personnel carriers and tanks. He did not know whether these questions had been taken care of. In any event, the team could discuss these matters. The Ambassador continued to point out that with smaller forces there would be more concentration of equipment—a greater density, and the Secretary noted that substantial training was also involved. This the Shah had not thought of, but continued that the important question is that "This is not the result of discussion—this is your approach. We cannot, of course, force you, but we can tell you if we agree. I recognize I cannot force you, but I do know that you are fair enough to let us tell you if we do not think this is sound."

Ambassador Holmes noted that the Secretary of Defense was prepared to send a team immediately and thus get things moving, which the Shah acknowledged. Regarding the Air Force, the Shah noted "You naturally tell us what you are willing to give, but let us see and study. There are questions of targets and ground support. We must see if it is adequate, then we would have the sentiment of having studied and told you our point of view." Nonetheless, the Shah had the feeling that, short of atomic weapons of course, "you want us to have a hard-hitting mobile and modern force." The Secretary and

Ambassador Holmes acknowledged that this was our joint objective, and the Secretary directly asked the Shah if he did not wish modernization. The Shah said he did, and raised the question of timing, to which the Ambassador responded that we would act immediately if we can.

There was then some talk about the question of training, it being pointed out that it took three years to make a pilot. The Shah noted that while he had men to fly the planes today, there was the problem of ground personnel. And maintenance, Ambassador Holmes interjected, continuing that as he understood it, Mr. McNamara would send for General Hayden immediately. The General would go into the problem of organizing a JCS group which would then go out to Iran to study these matters. The Shah said that he would receive them himself. He noted that he, of course, would have to make the decision and that it would not be a popular one—general staffs always exaggerate their needs. The Secretary noted that in this regard general staffs always wanted bigger and better forces, it was something like Parkinson's Law.

Ambassador Holmes summed up by saying that if the Shah were agreeable we could proceed on this basis, and the Secretary acknowledged that the Shah must know before he could prepare his budget. The Shah then raised the question of radar, noting that while the British were supplying some equipment, the Iranians themselves were doing all the construction, which seemed to him onerous. Ambassador Holmes noted his understanding that the UK had undertaken its radar construction in the north. As he understood it, Mr. McNamara was thinking of early warning in other directions, and the question of numbers of stations was also involved. To this the Shah acquiesced, noting that he had been amazed at the detailed knowledge that Mr. McNamara possessed. Ambassador Holmes noted that it was important that we not compete with the UK since after all we were all allies.

The Secretary then raised CENTO, noting that there was the question of international military headquarters. It seemed to us increasingly that there was a question as to whether there should be theoretical or real planning. This we had noted in many alliance organizations, including NATO, SEATO and CENTO. We were trying to direct matters towards real planning. We must also direct our thinking towards what would be real contingencies, not just theoretical possibilities. He felt that CENTO must review its planning with this thesis in mind. In this general line of thinking the Secretary hoped to have very frank and intimate talks with his Foreign Minister colleagues at the CENTO meeting. He therefore felt it very important that the Pakistani Foreign Minister attend. Acknowledging the significance of such attendance, the Shah said he would try to help, and turning to the Foreign Minister, asked him to draft an appropriate message. Turning back to the Secretary, the Shah commented that he had already informed him of a message he had received from Ayub. The Shah said that he had spoken to Ayub regarding a U.S. Commander-in-Chief, telling him that while he recognized his reasons for wishing an American, this was no reason to refuse a British commander. Why hurt the UK for nothing? "I will now tell him that if he wants more military assistance, from my talks here I do not think it will help" to have an American. To this the Secretary commented that the nationality of the Commander-in-Chief would have no bearing whatever on U.S. MAP policies, and the Shah repeated that he would send

Ayub a message. He continued "I have already tried, but ... maybe." The Secretary, stating that he was speaking privately, not for the Pakistanis but for the Shah's information, remarked that the psychology of our own people made it desirable not to have an American commander. We had already Commanders-in-Chief in NATO, Atlantic Command, Sixth Fleet; we had substantial forces in Turkey; substantial forces in other regions. We had the Seventh Fleet in the Far East. We had several thousand military men in Vietnam, and in that area we were now having casualties every day. It was important for the U.S. people to see that the U.S. was not the gendarme for the world. A UK general for CENTO would help in this respect. We wished our allies to help more everywhere. We would like the Australians to help in Vietnam. We are prepared to meet our fundamental commitments everywhere and anywhere there is a major confrontation. "We are entirely serious in this." But the U.S. is unique in having so many forces elsewhere in the world. What we need is more of a mixture of our allies.

The Shah said he understood, and also that he recognized that it would have no effect on MAP. "But in the same trend of thinking," he continued, "if the U.S. is sure of some countries and certain of their will and capability to resist, surely the U.S. would wish them to take some part of its responsibilities. There would thus be less and less need for the U.S. to undertake such responsibilities short, of course, of total war." The Secretary acknowledged that this was our hope. There followed an exchange on the relative cost of maintaining a division, the Shah noting that it cost the U.S. some \$250 million a year, whereas an Iranian division cost much less. Ambassador Holmes commented that this was a figure for a combat division during the Korean war, including ammunition and equipment. The Secretary continued that for the time being of course there was a need for our physical presence in many places, to register our commitment. He then told a story of Vishinsky and a U.S. businessman. In response to the businessman's comment that Vishinsky must recognize that the U.S. people would never permit an attack on the Soviet Union, Vishinsky had averred that he could not rely on this. Look at Korea, he said "didn't you tell us—didn't you do everything you could to tell us—that you were not interested, and then look what happened!" To this the Shah commented that his concern was not to give the Russians a situation, be it economic or military, of weakness which might lead them to temptation. He might add, in connection with the UK assuming a little more responsibility, that it was his impression that the British were revamping their military planning, and gravitating south of Suez. They were building up Aden and some place in Africa. He speculated that perhaps they wished to assume more responsibility in that area, noting that it was "OK with us." The Foreign Minister interjected that they might be contemplating the necessity of leaving Cyprus, and Ambassador Holmes noted their interest in Kenya. To the Secretary's acknowledgment that they had major interests in the general area of the Indian Ocean, the Shah concluded that what they required was some sort of a base between Malta and Singapore.

The Shah then asked the Secretary's opinion regarding the prospects for disarmament. The Secretary began his reply by expressing the hope that his colleagues would not hear of his response, but frankly while there would be lots of discussion, there was one utterly fundamental point on which no

agreement could be reached: inspection. Secrecy and disarmament were utterly incompatible. The Secretary continued at some length to discuss the history of the testing discussions, and the breakdown over inspection. Gromyko had noted to him that one man on an inspection team could conduct espionage of vital significance to the Soviet Union. Noting that the inspection we had proposed in connection with testing did not provide “a farthing’s worth”, the Secretary indicated that no progress could be made, although he foresaw that we would go ahead talking, perhaps in moderate terms. Noting that the point we had now reached was that we could inspect what had come to be known as the “bonfire,” but nothing else, he opined that the Soviet position defies logic. To the Shah’s speculation as to Soviet motivation and his suggestion that they might be afraid to expose their weakness, the Secretary said that one or two of the satellites with whom we were talking had in fact suggested the Soviets were concerned about a disclosure of weakness. This of course might change, but we felt that the Soviets had reached a basic decision last summer to make a major new effort in the missile and nuclear field. They had resumed testing for a sound military reason. We therefore must conclude that for the present at least they have no intention of making progress. The Secretary then asked the Shah if he might have a few words with him in private and the meeting broke up, with Mr. McGhee taking the Foreign Minister to his office as arranged for a separate chat.³

¹ Source: Department of State, Central Files, 611.88/4–1362. Secret. Drafted by Marcy and approved in M and U on April 26, in AID on April 27, and in S on April 28.

² Document 248.

³ The memorandum of conversation between McGhee and Aram that took place at 3:15 p.m. is in Department of State, Central Files, 611.88/4–1362. See Supplement, the compilation on Iran.