Naas: Michael was there for perhaps a week or two weeks when I took over as Country Director. But that's all. And Byran took over. And the young officer, who was supposed to be doing economic affairs, I can't think of his name right now.

Q: Who was your immediate supervisor? Who did you report to?

Naas: Sidney Sober. He was Deputy Assistant Secretary and sort of my immediate boss. And, of course, he would report to Roy Atherton and then later Hal Saunders. One thing about a Country Director job is that you're dealing with the Assistant Secretary a great deal, because he has to testify an awful lot. He has to go to bat on the seventh floor for your memorandum. You come up with a memorandum and he's the one who's got to argue it out, if there's going to be an argument. And so I spent a great deal of time with Roy, but on day-to-day matters Sid Sober was my supervisor.

It's one of these things we sort of worked out as time went on. What kind of a message did he want to see and sign off on and which kind of message did I sign off and he would see it the next morning. You know, when the telegrams came back. We worked that out by trial and error. And I suppose I had a great deal-- I insisted upon a great deal of independence on this. I once told Sid that-- Sid and I are very good friends to this day, we ride the bus together-- I told him that if I didn't have a certain amount of authority, I didn't want the job. It was not worth the headaches if I was just going to sit down and have somebody looking over my shoulder every second.

Q: Now who were some of the key officials in other departments, who worked on Iran around this time, '74-'75?

Naas: Well, in the research area at CIA was Erney Oney. In the early part of this period, at the Pentagon Bob Murray was there, and Howie Fish, General [Howard] Fish, in DSAA was the key one over there, and his whole staff. They're all gone, you know, have left those jobs now. I've forgotten many of their names, but I dealt with General Fish as much as I did with anybody on the arms sales and the preparation of testimony and the briefing of particular teams going out to the country, et cetera. Contract terms, et cetera.

At Commerce-- Commerce people had the lead role in the Sub-Committee on Trade and Finance and stuff under the Joint
Commission. Baker, who's now Secretary of the Treasury, was early on the man at the higher level that we dealt with, but that was fairly brief.

Q: Did the NSC have a person working on Iran at this point? I know Hal Saunders had earlier, but--

Naas: The one I dealt with primarily on Iran was Bob Oakley. This would be in the earlier part of my period there.

Q: Oakley?

Naas: Bob Oakley. Who's back there in the NSC right now. And later on, of course, with Gary Sick. Those would be the two people I dealt with primarily on Iranian affairs. This goes back thirteen years. There's a couple of other people I dealt with on the nuclear energy, but their names have gone, frankly, at this point.

Q: Now you said by the time you became Country Director, the policy was pretty much in place. How would you characterize generally the U. S. government approach towards Iran around this time?

Naas: Well, with respect to the arms sales, we've already gone into that. That came out of the Kissinger memorandum. I've written so many speeches and statements on this, I should be able to express myself eloquently. I probably can't this morning. We viewed Iran as-- the U. S. government did, starting from the larger point of view--as of extreme geopolitical

significance. Always have. This is consistent. If you read all the documents going back into the fifties, you'll find this basic thread goes all the way through right up into the end of-- until '79 really. There is no doubt that we viewed Iran's security interests as largely almost really to parallel our-- coterminous-- the same as ours in the area. Iran was viewed, under the Nixon Doctrine, the Guam Doctrine, as a nation that could on its own, if provided the arms et cetera, could be the significant power in the whole Persian Gulf area.

And you know the Guam Doctrine as well as I do. If a regional state has the capability and would act in a responsible fashion, it would be in lieu of our actions really. The

Vietnam

experience led Nixon quite correctly to judge that the United States' role was going to be limited in various parts of the world and that we had to find-- or he felt we had to find-- friendly states that would assume some of the security roles in the area.

And when you think of it, I mean, it would be very difficult to find an area in which there were significant differences in our national interests. I think this is something many Iranians--and particularly the crowd that came to power in '79, or after '79 really-- we really must understand the fact that it wasn't the United States sort of telling the Shah what to do. I mean, what was driving the relationship. From the late sixties on the Shah acted very much as his own man, and particularly after the oil boom gave him the wherewithal to be very much his own man. But if you go back, in those days our relationship with Egypt had its ups and downs. The Shah was greatly concerned by what he felt was the Nasserite threat in the area. We punctured that somewhat. The Shah viewed-- the Shah was supportive of Israel in terms of trade and in terms, of course, of-- he sold them oil. He did it to fit his own purposes, which was somewhat different than ours. I mean, he viewed Israel as sort of a prickly hedge that would keep the Arabs off his back. That as long as Israel was there, Nasser and Iraq and others could not turn their attention to him. Our policy towards Israel had a different motivation, but we ended up at the same place for quite somewhat different reasons.

I always felt that he acted-- or the government of Iran and he-- in a very responsible fashion in the Gulf itself, and they did come to the agreement on Bahrein's independence. They did come to agreement on Median Lines with, I think, all the countries in the area, so that oil exploration could go on without continuous disturbances. His attitude and

policies towards Afghanistan were very supportive, if you will, of our own; we wanted Afghanistan simply to be a strong and neutral non-aligned country. We were always concerned in terms of Soviet threat in the area, and he saw the Soviet threat in the area even more starkly than we did.

So one looked upon the relationship in the mid-seventies as a coming together of the national interests of two countries on almost all issues. You know, after all the Shah had considerable money and by this time Sadat was in power. He came up with various economic aid projects to Egypt. He came out with an offer of a substantial economic assistance program for Afghanistan. There was more fluff in that than substance, but-- well, you know, in the mid-seventies and even up through probably '77, through much of '77, one saw a very satisfactory relationship. And I'm sure he by and large saw it the same way. So, as I say, many Iranians looked upon us as the super-power continuously meddling in his affairs and directing him, and I think as the record comes out, the documents and all these things-- and many of them are out-- it shows a very equal relationship, if not the fact that he ran the relationship more than we had.

You know, from the fifties on, it was just simply the under-lying concern about the Soviet Union and Soviet expansion in the area. And this drove policy and it still drives policy.

Q: How was the pressure for petroleum factored into the perception of his national interests in the region?

Naas: Up until the-- I'm not quite sure where to go on this question, but up until the '73 explosion in prices, we just didn't get heavily engaged on the petroleum issue any more. In fact, when I was in New York in that period, some of the representatives of the major oil companies took a couple of us out to lunch and wanted to know why the hell we had withdrawn as a government so completely from oil negotiations. Because if you go back to the Mossadegh period, the '53 period, we were heavily engaged in setting up the consortium, et cetera, et cetera. So the companies themselves, really with practically no input that I am aware of from the U. S. government on their dealings, dealth with the Shah on prices and terms. Obviously the great increase in oil prices in '73 and various jumps after became a major problem that we had, not only with the Shah, but of course with all the others. Certainly in '73 the Shah took the lead in getting oil prices up. He always explained that to us, that if he hadn't stepped in, prices would have been even higher.

Now this was a point of friction definitely. When I said it was a happy relation, it was, except for this major issue. In part I think the Joint Commission idea was an effort to mop up, if you will, some of the excess currency. I don't think that Kissinger-- I'm not sure what Kissinger ever really felt about the major increase in oil prices. We did an awful lot of talking. I think an awful lot of people in Washington did feel that oil prices were too low and that the countries who were getting oil income--that this was not a totally unjustified shifting of resources, you know, from the developed countries to the less developed.

We used to talk of-- everybody who went to Iran would talk-- they'd either have the briefing papers or they'd have it from other sources-- would talk to the Shah and the

leadership about the impact of high oil prices. And it was an irritant in the relationship. But he had developed his own theory about the prices of oil and natural resources, and that what we should try to work out was sort of a world index of various prices and that oil would go along with that index. He'd always point out a particular thing that he had bought for X dollars in '71 now was 2-X kind of thing, and that the increase in oil prices was justified, and really that oil exporting countries were steadily fighting inflation--inflation in the goods that they bought from the Western world. He would always give us many, many examples of what had gone up.

I think the one time that I recall, I know Ford talked to him about it very briefly. When he visited with Carter, he agreed-- actually had agreed before he came to Washington not to have an oil price increase for that particular next six-month period. You know, OPEC was adjusting prices every six months. And that was a nice friendly show on the Shah's part, I think. At the time I felt this--again, I was not particularly prescient--was politically a very dangerous thing for him to do, in terms of his domestic audience. To agree as he meets with the

President not to have an oil price increase, was going to look like capitulation to the U.S. -- many Iranians looked at this as his again toadying to American pressure. It wasn't that. It was his shrewd assessment, I think, that oil prices probably should stay stable for another six months. That was sort of a freebie to give us. Or he was adjusting his relationship with Carter. He wasn't quite sure how that relationship was going to work out over the entire term. So it was in essence-- internationally-- a shrewd move. Domestically it probably was a very bad move on his part.

Q: Now going back to the period in '74 or '75, did Kissinger ever make any informal protests to the Shah against the price hikes?

Naas: Oh, yes. They talked. Every time they met, they would talk about oil prices. I can't give you any specifics. My memory's just not that good any more on that particular issue. Quite honestly, I got tired of the issue. I felt frankly that-- I don't know what Dick Helms has said about it, but he had to carry the load very frequently on the oil issue. I just felt it was one on which we were going to spin our wheels if we got over-agitated by it. I mean, continue the pressures on the prices-- I'm all in favor of a certain degree of oral pressure, if you will, so the prices didn't go completely out of control. We got a lot of flak from around the country on this from Senators and Representatives. You know, can't we clobber the Shah? And I felt that we should keep up a degree of pressure, but the totality of the relationship should not be undermined because of oil prices. And I think that's certainly what the Secretary and the Administration-- both Administrations-- came down to-- that the relationship has so many rewarding features, don't let it be really badly harmed or destroyed or badly affected by our dispute over oil prices. Use the special relationship if you can to at least have a moderating impact on the prices.

Q: Now during this period, like in November of '74, Kissinger went to Tehran to talk to the Shah about oil. Was it pretty much of an effort to moderate the Shah's policy basically?

Naas: As I recall, yes. '74, I think, was the-- he went there in '74, was that-- I forget whether that was in connection with the Joint Commission.

Q: I think that was one aspect of it.

Naas: I went out on that trip. I was just trying to remember whether it was '74 or '75.

Q: Were you traveling with Kissinger?

Naas: I didn't travel-- I went out separately, but yes, I was there for the meetings of the Joint Commission. I did not have the honor to accompany him to his audiences. But Dick Helms was with him. You know, I've read all the memoranda and I forget the content of them.

Q: You know, a few months later, in February of '75, Under-Secretary of State for Economic Affairs-- I guess Charles Robinson?-- accompanied Secretary George Shultz to Iran. February of '75? To also discuss oil prices with the Shah, by what I've read. Do you recall anything about that particular-- any preparations that you might have been involved in for that mission?

Naas: You know, it sounds terrible-- it is fourteen years ago. There's nobody went to Iran out of the State Department, or probably anywhere in the U. S. government, that my office didn't prepare the briefing papers. But they sort of blend all into one at a particular time.

Chuck Robinson was very active in the whole Joint Commission concept. He was very active in the oil issue. In fact, it was his baby after a while, and he was an effective operator. I spent a great deal of time in his office, talking with him about the oil issue and other economic issues with Iran, and accompanying visitors who wanted to talk to him about Iran, that sort of thing.

But specifically, I just simply--

[TAPE OFF]

Q: Now by this point and for many years earlier the U. S. had intelligence communications facilities in Iran, for monitoring Soviet missile tests and so forth. Now in June '74 there was a memo drafted by Mike Michaud, during the two weeks he was at the desk, I guess.

Naas: When was it drafted?

Q: June '74. And you signed off on it. I have a copy here. But it was stated, "The Iran desk needs more information as to the nature of the military and CIA intelligence and communications facilities in Iran." So how cooperative were they in telling you what they were up to in terms of these

various installations? Did you ever find out very much from them about what was going on with their operations involved?

Naas: On that particular operation, I was, as I recall-- I certainly forget the memo, it must have been my first week or first couple of days when I was there. If you have a copy of it, I'd like to look at it.

[TAPE OFF]

Naas: Thank you for letting me look at the memo. It refreshes my brains a little bit. Yes, I was aware of the facilities before I came on the desk and that they were part of the national means of verification, whatever that phrase is, which the Soviets understood too. But we did not have a really full appreciation of the numbers of people and the importance of them. And I did get a briefing. I didn't come out of it knowing a hell of a lot more than I went in with, because I'm not a technician. But they were there for the verification and we could look down on their test range and monitor the various signals that were used in their missile launchings.

But on this, I-- as a general proposition in my career, and many of my Foreign Service colleagues wince whenever I say this, but I've always had-- if I requested assistance or if I requested briefing from CIA, I never found any reluctance. I had an excellent relationship at every place I've ever been and in Washington with CIA. Obviously the Agency is not going to tell me or anybody else who is a controlled source, if they happen to have one in the country. That's not my business. But, shall we say, the information from that source is either distributed throughout the government or the people at the Agency would brief me.

I think I was helped in this respect by the fact that many of the people in the Operational Division-- and I won't get into their names-- were friends from previous posts. So that made it easier often it was hard for a State Department officer to get to know well the operational people at the Agency. It works differently. I think it's probably better now than it was in my day, but I know many desks had no relationship with operations, but did have a relationship with the analytical side.

And I think probably my own-- just simply knowing the people involved helped, so that I used to have-- oh, probably every-- some of them I'd see--

[END OF SIDE TWO, TAPE ONE; BEGINNING OF SIDE ONE, TAPE TWO]

Q: You were saying?

Naas: I would see them socially, or if I hadn't seen them, I'd have lunch together with the head of the Iran office or his deputy. And we would simply go over together our respective problems, and he would keep me generally informed, not specifically, on what was going on in the country.

I think this is probably a point-- if you don't mind, we could go into a little bit of this, the fact that in the late sixties the Agency by and large left the field of internal political reporting with respect to Iran. This was true in a number of countries at the time, where the emphasis was placed really on counter-subversion and putting more of your assets into the threat issue of the Soviets, the Chinese, et cetera. So that by the early seventies

certainly, the Agency was doing practically no reporting on the domestic scene. The Agency was largely involved in a liaison capacity with SAVAK, police and others, in terms of counter-intelligence. Also a considerable amount of time went into the liaisoning, in respect to those facilities that you talked about. And after that, by the time I was Country Director, I was heavily involved in the development of the IBEX program. We had many, many meetings here in Washington, in trying to figure out how to handle-- who was going to handle it, in fact. Was it the Agency, was it the Defense Department, et cetera. So we had a working group from the various parts of Defense, the Agency, myself and others. And working out a plan to present to the Shah for IBEX. And so a great deal of the Agency's effort was in this technical kind of thing by the seventies. Our own facilities, helping him with IBEX, and the counter-espionage kind of activity. So I think in a sense we cut off our own-- I guess you could say there was somewhat of a failure of intelligence in Iran later on. I could talk for hours on that. I won't. But, of course, by cutting out resources we might have had at one time, in terms of domestic political reporting, we did hurt ourselves. But that was their decision and in many ways it made sense at the time. If you've got limited assets-- I mean, the real threat to the United States are the Soviets and you necessarily spend a good hunk of your assets on that particular threat.

Q: The IBEX program was mostly for internal monitoring?

Naas: No. The IBEX program was designed as a signals intercept program, the first part of it, which could establish and was, in effect, directed at Iraq. The Shah had a grandiose idea of having an IBEX program that covered all countries on his

periphery. Came along '78 and '79 and that program disappeared.

Q: Weren't some of Rockwell's people working on the project?

Naas: Yes.

Q: Assassinated or murdered?

Naas: Yes. Three of them, I think, were killed while working in that particular program. I'm not sure they were assassinated because of that program. Who knows? I think they were simply a soft target. And their people were not following good procedures, frankly, at the time. Very sad, but they sort of went to work the same route, the same time every day. It was in that period when the Mujahaden-e-Khalq, and the Fidayan-i Khalq was looking for soft targets. There was a pattern that developed in that period, in which dozens of individual Americans were under surveillance, clearly people keeping a record of the way they ran their life, just setting them up. And on this there was a considerable amount, obviously, liaison with SAVAK.

But again, talking about things that keep an Embassy busy and keep people busy, in lectures that I give, I often point out that one of the side effects of a terrorist threat is that it unconsciously restricts the activities of everybody. You start to be a little concerned you might get killed. It has an impact on your nerves and your morale as much as anything. It changes the way you operate. That was probably not the particular intention of this

terrorist activity, but one of the effects it did have.

Q: You mentioned earlier, the CIA really had not helped people doing internal political affairs at the Embassy in this period?

Naas: That's right.

Q: _____, James Bill said in his book.

Naas: Yes.

Q: Now in his new book James Bill analyzes the figures from the role of the U. S. corporate finance, industry and law, which sort of constituted the political and social basis for strong U. S. support for the Shah, and his term for that support is Pahlavism. From your experience at the Embassy-- at the Country Desk rather-- how much of a sense did you get of the influential private individuals and institutions in the U. S., who favored a close political and economic relationship with Iran, and the Shah in particular?

Naas: At my level, I didn't feel this particular pressure. I knew that David Rockefeller, before he'd go to the area, would always come down and get a briefing from the country directors of the countries he was going to. He would always go off in his private jet and hit four or five countries, and we would meet with him and just simply brief him on the state of play in the politics and the relationship.

And I kept in very close touch, as I said before, with the principal arms-- the Washington representatives of the principal arms manufacturers, and I would see their vice-presidents or presidents often when they came to town. Often this was at my request. So I did not feel the kinds of pressures that Jim writes about. It's not the sort of thing I would. If Jim is correct.

Q: It would be at a higher level?

Naas: It would be more-- probably at a social level too, where the Secretary or the Vice-President or the President or somebody might be-- where there's talk about the importance of Iran and what they're trying to do.

Now as a country and as an embassy, now and then, of course, we would intercede with the Iranian government in support of a particular proposal. Not very frequently, frankly, but I know we did once for Ford Motor Company. Ford wanted to set up an assembly plant and there was various competing bids in front of the Shah, and we supported the Ford proposal. And didn't go in and pound the table at all. You just basically said, I hope that you give the Ford proposal a hard look and a fair reading. By this time the Shah was running his own country. We weren't running it for him, as so many people think. So we didn't do that much interceding.

I'm trying to think-- I can't think of any particular time that somebody sort of laid on me, but I had such a continuous working relationship with so many of the firms. I briefed the GE people. I briefed the Westinghouse people on the whole nuclear--where we stood on the agreement for nuclear cooperation. Worked closely at the early stage with AT&T.

But again, AT&T had itself prepared its proposals for this integrated communications system, which the Iranians bought, if you will. They did their own thing. And from that point on they were basically briefing me on what they were doing, what their problems were.

Jim [Bill] may be right in developing that thesis, but I didn't feel it.

Q: Now you mentioned that Ardeshir Zahedi was Ambassador. Was he Ambassador the whole time you were Country Desk Director?

Naas: Yes.

Q: Who were some of the other Iranian officials at the Embassy during this time, that you worked with, besides Zahedi? Remember any names?

Naas: In addition to the Ambassador, I suppose my principal contacts would be with their Minister Counselor or their DCM. Jamishid Tavalali since then and I've heard that his predecessor is in exile in Tokyo. Also dealt fairly frequently with Yussef Akhbar on economic Joint Commission affairs. And-- well, some of their press public relations people. A young man by the name of Ardalan would frequently come into the office just to exchange views.

But the principal representation or activities were really carried on by the Ambassador. I'm not saying it was a one-man show. He had a lot of able help. But I know he used to tell me that he frequently could get a day's work done in fifteen minutes with the

Secretary at a party. You know, they'd be at the same function together and he'd pull the Secretary aside and talk about what was concerning him. And then he said he'd go home and write his report. He strongly felt that his job and the Embassy's job was really having solid contact at the highest levels of the U. S. government. Which did not mean he ignored me and others. He didn't. He was extremely gracious. And all of them were.

But they did not spend-- I don't have the sense that they spent a great deal of time working on the Hill, for example. In fact, I know they didn't. Towards-- I guess it would be in late '77 or '78, they brought two young officers-- not young, but I guess middle-ranking officers here, for the first time whose principal job was to stay up with things on the Hill. They realized that the initial turndown of the AWACS program and all the problems of-- we had major debates basically with a lot of the big programs that were made-- arms programs-- a lot of stuff in the press, and they realized they simply had to get to know the Hill better and try to influence and do what we do abroad, what I did in my first job in Karachi. Get to know people, members of Parliament and the politicians.

I met those two young men only once. They were sort of over-taken later on by the revolution and the change. And I can't remember their names, I'm sorry.

Q: According to the memorandum that I just showed you a few minutes ago, some of the most important decisions concerning Iran were made at the NSC Presidential level. I guess this is the May '72 discussion with the Shah on arms sales. "With the Iran desk-- this is a quote-- getting little information on these decisions." To what extent was this problem corrected while you were at the Country Desk, major decisions not coming to your

attention? Or did it become a problem at all?

Naas: I wasn't aware of it being a major problem in the four years that I was there. I know when I first joined the desk, I asked to see the MC of the '72 visit and I was told they didn't exist.

Q: This is at Tehran?

Naas: Yes. That we did not-- the State Department did not have copies. And we never did get copies. The first time I knew that a MC had even been written was in Gary Sick's book. So something was written, but it was kept at the NSC. Decisions could have been taken on-- various decisions could have been taken that I was unaware of, but nothing of great consequence. From then on I think I saw every MC of the Shah's meeting with the President or with the Vice-President, if a MC was written. Certainly in the Carter period I did.

The only other activity that I was, until very late, unaware of throughout '74 was our assistance to the Kurds.

Q: You were unaware?

Naas: I was unaware of that. I had an inkling of it, but I was unaware of that particular activity until after the Algiers Agreement of 1975 between Iran and Iraq. And then, of course, it started to come out more, and the Israelis obviously were rather discomfited as

well by the Algiers Agreement. They were heavily engaged. So at that point I became somewhat better informed on it, but not totally.

In fact, I got to know much more about it by accident, when Ambassador Helms was back being interviewed by the Pike Committee. And since he was going to the airport directly from the committee hearings on this particular day, he asked if I would accompany him, so that I could brief the Secretary or the Secretary's staff of how the meeting had gone. Up until that point, he kept all his meetings with that committee to himself, since they involved actions when he was head of CIA. And he would brief the Secretary himself on what went on. But again, it wasn't my business particularly, but I went that day and the Kurdish issue came up, when some of the Representatives asked a variety of questions. And the Ambassador's very terse replies. Probably the first time I got a thorough briefing on the Kurdish issue.

So that is one-- the decision was taken to assist Iran, I guess in '72.

Q: Yes.

Naas: So the policy was well underway before I took over and nobody ever briefed me on it. But I'm not certain that even the Deputy Assistant Secretary or Assistant Secretaries knew about the extent of our involvement. I've never raised it with them, frankly. By the time I really became well informed on it, it was past policy.

Q: Now also the same memorandum has stated that it would help to get a reading from the Secretary on the way he sees Iran in the Persian Gulf. Unquote. Was this ever gotten,

as it were? Do you remember discussing with him what his views on Iran were?

Naas: No. Not directly. But it became quite clear to me fairly early on, of course, what Kissinger's views were, simply because of the actions he took on the memoranda that went out. But I approached it somewhat indirectly. I would go to his-- either the special assistant--

Q: Who was that?

Naas: I'm just trying to think who it was and I can't. But then I would also go to the Secretariat. A fellow named Jerry Bremmer, who is now in charge of counter-terrorism, who had worked for me as a junior officer in Kabul, was up there. And I'd go up and sit down and chat and say, you know, you've traveled with the Secretary, you are in various conversations, what does he think about Iran these days? So I'd get my briefing that way.

I also sat in, of course, on a number of sessions with the Iranian dignitaries or the Iranian Ambassador as notetaker with the Secretary. So in that process, I had a thoroughly satisfactory, to me, understanding of what the Secretary thought about Iran. And particularly when we would get into-- sometimes we'd have a little session on a particular arms sale, with Roy Atherton and myself and others.

So, you know, you just simply knew. Henry in his book says that he can't believe that the bureaucrats followed his memorandum on arms sales to Iran. Well, you know, that's just plain self-serving, because that document drove policy up through the time he left.

And I must say, through some efforts of my own, God help me, it carried on pretty much through into the Carter period. So for him to say that the bureaucrats ignored that, you know, that's just nonsense. I used to carry a copy with me often. You know, when a memorandum would go up, on a variety of arms sales and other things, often there'd be dissent within the Department. And so you'd put down the positions of NEA and PM,L and other Bureaus and let them write their recommended policy-- then at the end have a series of Approves, Disapproves, Recommendations.

Q: What did the L stand for?

Naas: Legal division. You know, whoever would be on that particular memorandum, anyone who had a legitimate interest, would make a recommendation. Different Bureaus of the Department might make quite different recommendations. Roy Atherton used to say, what's the Secretary going to pick? Well, obviously what we're recommending. And it never failed. I got to the point frankly, as Country Director, that instead of trying too often to resolve problems in long arduous fighting with other bureaus, I'd just say, look, give me a page or half a page of your views and your recommendation and I'll stick it in a memo exactly as it is. And that saved me an enormous amount of activity. They'd work like hell on their recommendation, which I knew had no chance of being selected.

Q: Now, in the same memorandum that Michaud drafted, it stated that some of his draft statement on Iran was sent to the Planning Council at the State Department in February '73, and this draft policy statement was never acted upon.

Naas: I don't recall the-- my memory doesn't go back to what that particular paragraph had in it, the content of it. But as I said before, Mike Michaud was more skeptical than most about the '72 policy, and he knew Iran much better than many people did. And he foresaw, I believe, that our policy was going to lead into severe problems later on--severe problems for us and for the Shah. He believed that-- as I recall, in the few conversations I had with him before he left the desk-- he believed the open ended arms policy was wrong, that it was a wrong use of Iran's

resources. And I'm putting words into Mike fourteen years later, but I think it's probably fair.

But I can understand why there was no answer to the paragraph. It's not the sort of thing I believe, in my reading of Kissinger, that he would want. If the policy statement was the least bit restrictive, he would not want it, as taking away flexibility from him and flexibility from others. And, in a sense, Henry and a lot of Secretaries of State have their own ego, and believe they are the only ones who are going to make policy. In fact, of course, the Policy Planning Stafff, which I served on my last six months in Washington before I retired, never did really fulfill that-- rarely fulfilled-- that kind of role, a role it was basically way back intended to do.

That's the sort of thing a good policy planning staff should have gotten into, but policy made by the-- well, if a policy's made by the President-- he is elected, he's picked his NSC advisers, he's picked his Secretaries, he's made the decisions. So once you get into other policy statements, anybody on top is going to see those as nibbling away at the decision you've already made. I always thought you worked for one President at a time and that's

his responsibility. My responsibility would be to advise him, if I'm wise enough to give him good advice, but I get paid to do my job and he got elected to do his job.

Q: I have a few questions about the arms sales issues. You mentioned, you know, the May '72 decision and what it amounted to, and you talked about some of the interests that shaped that decision, in terms of building up Iran as sort of a regional stabilizer. Now to what extent did balance of payments considerations also shape arms sales policy towards Iran?

Naas: I can't recall. I've read Kissinger's book and I've read Nixon's books and all that, and I don't recall anything in them on that subject. I personally rather doubt that in '72-- don't forget this was before the big oil-- before the major increase in Iranian incomes-- that balance of payments would have any impact whatsoever. It was Kissinger's and Nixon's world view, coming out of the Guam Doctrine, et cetera. After the massive oil increase in '73, when there was this huge surge of arms sales, balances of payments certainly had an impact on some people. I think this would be highly individual. Papers I sent upstairs on these various things would largely emphasize be the larger geopolitical issues, our relationship with Iran, etc., but it's very conceivable at some point to say, "and also have a beneficial impact on our balance of payments." But that was not a really major concern.

Now and then one of the effective arguments would be, up on the Hill, if you're talking to individual Representatives or Senators, is to point out to them-- this might be the company itself involved-- what this would mean with respect to jobs in their particular

district. Now that sometimes had a little impact, but not major. Again, I think most people on the Hill who were opposed to arms sales did it out of a general philosophical approach and their own view of our geopolitical interests and of their concern about Iran.

In the Joint Commission, of course, the balance of payments was a driving aspect to it. As I said, I always felt the Joint Commission was the wrong way to go about it, but definitely this would sop up additional money from Iran. It was definitely-- you know, if we got a couple of nuclear reactors at a couple of billion dollars. I forget what the contract was for AT&T for this integrated communication. It was a more advanced communication system than we had at the time. It ran well over a billion.

So, you know, I had an interest in a lot of these projects just as part of doing what Iran wanted and seeing that it was also in our interests to do so. And also as useful-- particularly some of these major civilian projects, as being very useful in the balance of payments. But again it was not the driving factor.

Q: Now some students of arms sales policy have argued that, in part, arms sales were encouraged to give the U. S. greater influence over Iran's military and foreign policy. For example, it was argued that by increasing Iranian dependence on U. S. weapons technology, on U. S. spare parts and so forth, the U. S. would have kind of an informal veto power over the Shah's foreign policy decisions, that he would be unable to use his military force independently of Western interests to some extent. Now to what extent did the policy makers or policy managers think along those lines during the seventies?

Naas: In my period as Country Director this was not a major factor in my own thinking. I've always-- I guess I've always been a skeptic, and I was very skeptical of the impact or leverage that a particular action was going to give you. Back in the sixties, if you have talked to Ambassador Meyer, we went through a great deal of anxiety of preventing the Iranians, of trying to persuade them from not taking Soviet arms at the time, seeing that as giving increased leverage to the Soviets. So I suppose the reverse of that would be American leverage. But also we were just simply concerned about the likely intrusion of hundreds or thousands of Soviet technicians, and the fact that what the Shah was thinking about in anti-aircraft particularly, a missile system and other things, was going to be quite incompatible with the stuff-- our F-4s and F-5s, stuff that we were selling Iran-- and our concern that a lot of Soviets being present that they would somehow gain access to our own technology.

But I never felt that, you know, by selling F-16s and making them dependent on U.S. spare parts, that this was going to--at a particular moment was going to give us some veto authority. I personally never heard of anybody speak of it that way. Now whether people thought that-- I've never heard it, that I can recall, openly expressed. In fact, I think, if anything-- people throughout the government were always coming up with plans for further facilities in Iran. No matter what happened, you know-- when we lost our facilities in Eritrea, immediately

everyone says, "Where do we put them now? Iran." And Dick Helms, in one of the smartest moves any Ambassador has made-- and he had the clout to carry it out-- and he and I maintained a very, very close relationship, simply because he was back here all the time for testimony, but it gave me the kind of whole contact that normally you don't have

with your Ambassador and particularly one of that stature and knowing the Washington scene. He sent a famous telegram and it said that unless he was specifically ordered by the President, he would not approach the Iranian government about any additional facilities. He said, one, we're overloading the circuit, and why, in effect, give to the government of Iran that kind of leverage over us?

And that telegram became my Bible. And so I turned down literally half a dozen requests for additional plants and facilities. Not necessarily military facilities or intelligence facilities, but all sorts of things that people wanted to stick in Iran, because they have clear skies. And I used to argue with them and get their full proposal and I'd send it to the

Ambassador, frequently in an official-- informal letter, saying this has come up again, but I followed your telegram and told them that they had the burden of going and getting a Presidential decision. Now if they could get a Presidential decision, good for them. And nothing ever came out of any of these proposals. We were able to keep what we had, but not add more, thank God.

Q: Now the same June '74 memorandum that Michaud drafted raised a sort of related question to this. He makes the point that with greater military capacity, the Shah would have more ability to intervene in the region. And the question is then asked in this memo, is this in our interest? Now how much concern was there over this particular point, over how much intervention capacity the Shah actually should have in the Persian Gulf region?

Naas: The answer to that depends upon where you sat in the Department. The people who were responsible for Arabian Peninsula affairs were quite concerned about it. I was personally not that concerned, simply because I did not

personally believe that this was likely to happen, that the Shah was intelligent enough not to egregiously misuse what we had sold and what others had sold. He knew as well as anybody the Arab-Persian friction, and, except in a dire emergency, was unlike to use his

in an offensive capacity. He was largely interested in defense. Of course he did help

in its war against the Dhofar rebellion, and we were totally supportive of that

ı. It was the kind of effort that, in effect, Nixon and Kissinger had in mind of the

ːing a regional stabilizing force.

went along, certainly didn't object to his seizure of Abu Musa and Tunbs, but this

put-up deal basically. The Brits had understood that this was going to happen, and

ı it did happen, then the Arabs everywhere were shocked. But I'm sure the Arabs

ɛmselves knew that this was sort of an understanding. I don't know whether it was ever

ɾritten down, but there was an understanding that the Iranians were going to act and that there was a certain legitimacy to the seizure. Arguable.

But I think people were impressed by the easy way he solved the Bahrein issue. Now that was an issue that had some fire behind it. Not great in Iran, but he solved it in a way, and his behavior-- you know, have to look at the total behavior pattern. That he was highly responsible.

As an aside, however, at a bureaucratic level-- we never bothered the Secretary with these things-- we were careful at the working level in terms of adding to an offensive naval

capability. And the way we could handle this is that a company would, say, approach the Pentagon to get authority, in effect, ahead of time to go sell a certain kind of thing. And the people in DSAA and I on a number of occasions turned down the request, because one request came for a huge sort of landing vehicle kind of thing, --I don't know if the Shah would have been interested in it, frankly, I have no idea-- but we just turned the company down, we didn't give them authority.

So we were conscious in a tiny way, on the small decisions, of not adding to that offensive capability, because of our larger interest too with the Arabs. At our level we didn't want to create problems between the Iranians and the Arabs. The Arabs were terribly nervous about the nature and the amount of arms the Shah was sold, so we did our best on little things to cut that fear down. As I said, I suppose the same State Department people-- they were old friends at that time, some of them I'd gone to graduate school with-- were pretty concerned. I wasn't.

Q: A related point-- and this was discussed in some of the documents that I've seen, like the Inspector-General's reports in '74 and '76 mentioned this point in passing-- was the concern that building up Iran's military power would foster a regional arms race. For example, it might force Iraq to be more heavily upon the Soviet Union for weapons and this would build up into an escalated arms race situation. What was the answer to those people who made such an argument? How would you answer?

Naas: I suppose, certainly through the Nixon period, my answer to that was basically, the decision's been made. Stop quibbling. You know, if you want to go on and get a reversal

of that policy, go ahead, but the decision's been made.

Q: You mentioned this a little bit before, but I figured we could expand upon it. According to this Country Director memorandum, the U. S. arms sale program in Iran involved close liaison with the Defense Department. Now what matters did this liaison involve? Did you work with them in approving specific sales or passing on specific sales?

Naas: We worked hand in glove really. This would mean with DSAA, as I mentioned earlier. Any sale of arms above a certain amount-- I forget, was it seven million?-- has to go to Congress. You report it to Congress and then Congress has-- was it thirty or sixty days, I forget now-- to come up with a specific
resolution denying the sale. Any arms sale above a certain amount has to go to Congress.

And so we had worked very closely on these matters they would do ninety-nine percent of the preparation of the various documentation that had to go to the Hell. But then, on anything of consequence, State would have to clear off on it. So I'd get a thorough briefing from the DSAA people. What was involved, how much money was involved, how many people involved, and would then have to get a decision memorandum out of the Secretary. I would then prepare the memorandum going up to the Secretary for approval.

Later on, after President Carter came in, he insisted on making all final decisions. So every month or so, a long
memorandum would go over to the White House to President Carter with a whole list of the equipment for various countries, and he would approve or disapprove specifically. Go