

MacArthur: Yes, the Baluchis.

Q: Let me turn this over.

[end of side one of tape one; beginning of side two]

We were talking about some of the Shah's objectives.

MacArthur: Right, so the point he was trying to drive home was that Afghanistan was directly in the line of Soviet advance and ambitions. With that was the organization of an independent people's republic of some kind in Baluchistan, which would run from southern Afghanistan down the corridor along the Iran-Pakistan frontier, where the Baluchis inhabit both sides, to the Indian Ocean. Thus at that stage of the game, the Soviet Union would have direct access to the warm waters of the Indian Ocean through a client state. While he did not fear overt Soviet aggression against Iran, his fear was that, on the one hand, the Iraqis would attack, and, on the other hand, there would also be an organized attack on his other flank by a future Soviet client state such as Baluchistan that was more or less a puppet of the Soviet Union.

I had told him, and expressed myself quite forcefully, that I thought he was making a mistake to acquire so much sophisticated highly technical military equipment, because he didn't have the trained people to utilize it. I pointed out to him that with the highly sophisticated and electronically controlled mechanisms of much of this equipment, if you just put in a barn, it disintegrated in three or four months. It has to be constantly used or maintained to

be operationally fit for combat, or, indeed, just for maneuver use.

Q: What was his response to that?

MacArthur: His response was he understood that, agreed with me, but he was taking steps to rectify this situation. Our MAAG [Military Assistance Advisory Group], of course, was expanded a bit when I was there. Then he was hiring people from some of our big electronic companies that furnished the equipment to give some training of one kind or another to his people. But the net result was that he really was not on top of that aspect of the business. Part of that probably comes from the fact that when he raised this question with his military people they probably all said, "Yes, yes, boss," because they were all afraid to say anything else for fear they'd get fired. It wasn't going the way that he thought it was going, or the way that he had instructed it to go.

Q: We'll get back to that again, but I have some questions about some of the policy makers in Washington in the years 1969, 1970, 1971 and so forth. How much interest did Secretary of State Rogers have in Iranian issues? Do you recall?

MacArthur: You say Secretary Rogers; of course, the instructions are all signed with the Secretary of State's name, but our Near Eastern Division, which was run by Joe Sisco then, was the focal point of the formulation and development of policy. But I think, from the White House on down, I know for a fact there was great preoccupation and

concern with the situation in that part of the world, for a very simple reason: United States security policy rests on the concept of a security tripod. The legs of the tripod are based in North America--Canada and the U.S.--Japan and the Pacific, and NATO Europe. Two legs of that tripod were extremely vulnerable at that stage of the game to what happened in the Persian Gulf. Because if something went wrong and the oil resources of the Persian Gulf fell into the hands of a power which decided to use those resources as a method of political persuasion, Western Europe (which at that time was about 65 percent dependent for its energy on the Persian Gulf) and Japan (which was very heavily dependent also)--if somebody said, "Sorry, no oil unless you do this, or unless you agree not to do that," their choice was to see the wheels of the industry grind to a halt and the lights of their cities go out, or reach an accommodation.

I talked to Joseph Luns, who came to Iran on a trip, just before he became NATO secretary-general. He was then Dutch foreign minister. I had a long meeting with him at his request at the Dutch Embassy. I'd known Joseph Luns for many years from the time I worked with Eisenhower at SHAPE [Supreme Headquarters, Allied Powers, Europe] and he was foreign minister. I said to him, "What would happen if Western Europe were faced with the threat that either you cease and desist, or accept this, or you get no energy?" He said, "I fear that Western Europe would have no choice but to reach some form of an accommodation, because the alternative would be a total collapse of its economy and its national life." He said one would hope that that would never happen, but it is a very important thing. I mention all of this only because President Nixon, Secretary Rogers and the

Department both with respect to not just the Near Eastern Division but EUR--the European Division--and the Far Eastern Division, knew exactly what would happen to their clients, or the people for whom they had policy formulation responsibilities if the Persian Gulf fell into the hands of a power, as I say, or a regime or regimes that decided to use energy as an element of political persuasion.

Q: In terms of formulating policy, and strategy and tactics, did the State Department have a major role, or were Kissinger and his staff taking more of a role in these matters?

MacArthur: We had a most unfortunate situation in that period of time. Kissinger, because of his ambitions (he was a very clever man, but he was a very ambitious man) tried to keep everything in the National Security Council under his own control. On one occasion, when he was off shuttling around in the Middle East and playing around in Europe, and an urgent matter required action, the State Department was unable to get any action at the White House because Kissinger had left instructions that it should not go to the President, nothing should go on this matter until he returned. Well, that matter was dealt with before he returned, and the proper answer was given. But I mention that because Mr. Kissinger himself was the first to recognize how awkward this situation was, because when he became Secretary of State he immediately arranged to combine the jobs of head of the NSC and Secretary of State so that nobody could do to him what he had done to Secretary Rogers.

Q: So that posed problems from time to time, that relationship, I guess?

MacArthur: Mr. Kissinger, as the NSC head, controlled the papers that came from the State Department and went up to the President. So if he wanted to hold something up, he was in a position to do it in the White House unless the Secretary went directly to the President, which he did on the occasion which I mentioned.

Q: Did you ever meet with Kissinger to discuss Iranian issues?

MacArthur: No.

Q: Before your appointment to Iran, Nixon had made a speech at Guam, on the "Nixon Doctrine." When you became ambassador, did you consider this speech to be relevant to your efforts--the Nixon Doctrine approach? Was that something that was talked about among policy makers?

MacArthur: I don't remember.

Q: The idea that third world countries would be given U.S. military aid and so forth, was there any of discussion of that?

MacArthur: Insofar as Iran was concerned, the action with respect to Iran and other countries had preceded the Nixon Doctrine, and so perhaps it was more a public enunciation what we had been doing in

individual cases. The Nixon Doctrine didn't startle me, or ring any sudden bells because, I mean, this is precisely what had been going on. We had been assisting countries that we felt were vulnerable, to put themselves in a position to maintain their independence.

Q: When you first arrived in Tehran, what were your impressions of Iran, back in 1969?

MacArthur: I'd been to Iran before on one occasion, but going through only. My impressions were of a country that was still deep in a feudal mentality, that had emerged or was emerging with a superficial Western patina, but that it had a long road to go. For example, before I ever thought I was going to Iran--I think I was in Austria or someplace; maybe it was Belgium. I guess maybe it was Belgium. I knew the Iranian ambassador, a member of the diplomatic corps, a very pleasant fellow. One day I was talking with him, and he was complaining bitterly about the land reform of 1963, about how they were taking all his land away. I said to him, "How much land did you lose?" --expecting an answer of several thousand or ten thousand hectares or acres, or something. He said to me, "I lost, I can't remember if it was 37 or 39 villages." Villages. Under the system that was there before the Shah's land reform, the absentee landlord owned every tree, brick, stick, and indeed had a feudal control over villages and what they produced, and the income they brought to him, and the like. This was just several short years before I went to Iran. You have a mentality of an intelligent man, educated man, who was complaining because they had taken away, he

couldn't remember if it was 37 or 39 villages. It says something about the outlook of the so-called upper upper classes.

The masses of peasantry were very much like I'd seen in Egypt, in early 1930s, when I was out in Egypt on a trip up-country a bit. There, also, I remember Prince Lotfallah--at that time it was under British control, but it was totally feudal. I was invited for Easter up the Nile River near Aswan. I went out riding with him, we rode through several villages, one about fifteen thousand and one about ten thousand. Everybody bowed to him and kissed his hand. He said, "These are two of the five villages that belong to me." I mean it was the same sort of feudal mentality.

I'd like to say a word, if I may, about the Shah.

Q: That was my next question.

MacArthur: The Shah was a remarkable man. I'm no psychiatrist, but I think that his whole background and upbringing had left him with complexes of various kinds. He had no formal education at the university level. He had gone to an excellent school in Switzerland, the Rosé School. He spoke foreign languages; he spoke English and French fluently. But he no formal higher education. Then suddenly at about the age of twenty, after World War II broke out and after Russia was attacked, you will recall that the British and the Russians moved into Iran. Why did they move into Iran? Because before World War II Iran under the Shah's father was just as much concerned about Russian ambitions to control Iran as was the Shah later after the attempt to dismember Iran in Azerbaijan in 1946,

despite the pledge at the 1943 Tehran Conference that all troops would be withdrawn, the occupying troops. Iran, as a counterweight to the pressures and ambitions of the Russians, had always flirted with the Germans, including the Hitler government. So when Russia came into the war, the British and the Russians decided that this was an undependable country, that it had had flirtations with Mr. Hitler (just indeed as Stalin and Mr. Molotov did in the Ribbentrop-Molotov agreement, but for quite different reasons) and they occupied Iran.

Now, at the same time they occupied it they took the Shah's father, a man of considerably strong leadership qualities and a rather dominant man, and they exiled him to an island off in the Indian Ocean. They put this twenty, twenty-one year old boy on the throne, the Shah. In a country that was totally divided, with a line demarcation where our people delivering Lend Lease were not allowed to cross the line of demarcation across the middle of Iran into northern Iran that the Russians occupied. They had to deliver the Lend Lease material there; they were allowed no further. And the British were in the southern half. So the Shah was actually nothing more than a figurehead put in to replace his father and have a nominal role. But every single activity in Iran was dominated, in the southern half by the British and in the northern half by the Russians.

The Shah, as I say, had no formal education in the university sense. He knew nothing about economics. He was a puppet. Then the war ended and finally, because of a very strong position Truman took in 1946, the Russians withdrew from Azerbaijan, as they had committed themselves to do before violating that commitment. The

Shah was left in charge. I don't think he was in any way, at that time, equipped to deal with what he had to deal with. The result, of course, was the emergence of Mr. Mossadegh, who was a brilliant and rather mercurial man with a lot of charisma. The Shah was almost nothing. He was worried, and he left, as you remember. Then he was returned, and Mossadegh was overthrown, and he was put back in power.

I don't know whether this experience gave him an inferiority complex, or his dominant father, because I'm not a psychiatrist. But I do know that he told me--in one of our early meetings when he was describing to me what he was trying to do and what he had done. He said, "You probably wonder, Mr. Ambassador, why I call my revolution--which is to try to lead my people to a better way of life, and to modernize Iran and bring it into the modern world--the "White" Revolution. Because after the Mossadegh experience, I realized that if there were not reforms in this country--social reforms, education, political reforms and the like--then there would be a Red revolution. It would be red in terms of the blood that would in run in the streets, but it would be red also because it would led by the Tudeh Party, which Moscow controls. That is what my White Revolution with land reform, universal education, equal rights for women, secularization of the education system, is all about." Of course, the Mullahs never forgave him, never forgave him for taking the formation of the children out of their hands so that they could not mold them into their particular brand of Shiite Islam, for giving equal rights to women and for taking away their lands, although for this there was an ex gratia payment by the Shah's government of 115 to 120 million dollars a year for the revenue that the Mullahs

had lost. But the Shah was trying, obviously, to follow the Japanese model, and in less than forty years bring his country from total feudalism into a modern state that could compete industrially and economically. His motives were good, but his knowledge and abilities of how to go about it were extremely limited.

Then, because of his success in getting rid of Mossadegh and in his struggle with the clergy in 1961, 1962, and 1963, he became arrogant to the extent that he felt that he knew best. If you disagreed with him you were replaced and somebody else was put in as a minister. The result was that, by the time I got there, he was surrounded by a cabinet of men who said yes no matter what, who were supposed to be technically trained, and able to do certain things, but who said yes to everything he said, even if it was obviously going to result in failure.

Q: Did any of the officials have any real influence with him, or was it pretty much across the board like you've described?

MacArthur: Let me put it this way. The economic minister when I got there was a very able fellow. He had a doctorate in economics from the Sorbonne in Paris, and wanted as much as anybody to bring his country into the modern world. But he had been in office less than a year and a half, two years (something like that; maybe a year, year and a half) when the Shah decided he wanted to do something. He [the minister] made the point rather strongly that it would lead to a disaster because, inevitably, it would result in this and this and this, which would be just the opposite of what they were trying to

achieve. He was relieved within twenty-four hours, and a new man was put in who said, "Yes, yes." So one of the things that destroyed the Shah was that he ended up having people around him who, instead of counseling him and saying, "No, your Majesty for these reasons"--and listening to those people--he ended up with nothing but a mirror of himself in his cabinet. There was only one man that I knew that I could be sure would get a message, in the form and the spirit that I meant it, to him. That was [Asadallah] Alam. But Alam, although I did not know it, had cancer, and before I left was very, very ill. He was the only one that I could be sure would present something to the Shah--if it were something that our government wanted to do, or some observation that I had to make that was not in keeping with the Shah's thoughts--that would transmit it in the spirit and in the form that it had been put. The others, if they did it, you never knew how it would be twisted one way or another, perhaps to make them look good.

Q: What was the social basis for the Shah's support in Iran? What social groups did actually give him positive support?

MacArthur: You see, the thing that is so misunderstood about Iran is that when I went to Iran in 1969, with the exception of the clergy, he had support or at least acceptance from all social groups. Why? For a very good reason. Since his White Revolution in 1963, ~~everybody's life had gotten better. Everybody had more. It's true~~ the rich got rich very, very quickly, and the poor got better off very slowly, but everybody was better off. So there was universal

acceptance or support. In 1970, when the first indication that terrorists were prepared to be active came when a commando of terrorists tried to kidnap me. My wife and I were returning from a dinner on November 20, 1970, with Alam and Mrs. Alam, the Minister of Finance and his wife. A car cruised up alongside with four young men, swerving from side to side. It was the night before a holiday, and they frequently drank before a holiday. My wife said to the driver, "Be careful. I think those young men have perhaps been drinking; they seem to be driving rather recklessly." Suddenly the car slammed into the front of my car, the embassy Cadillac. I still thought it was an accident from the way they were weaving around, until the door opened and I saw a man with an ax and others with automatic weapons. Having had some CIC training in 1944 before Normandy and a refresher at the time of the Battle of the Bulge when I rode "shotgun" for my Ambassador in Paris, I knew what was coming next. However, they had made the hit rather badly; they hadn't gotten completely across the front of car. The Cadillac had a lot of power, and Iranian chauffeur had not killed the engine. So I screamed, "Go!" And threw my wife and myself into the bottom of the car. These boys opened fire, but we brushed the car aside. They shot the windows out of the car. One of them had an ax, obviously to attack the window if I tried to lock myself in. They threw the ax. It hit me in the arm. I have it in the other room, mounted. It was given to me later by the police. Incidentally, while the car hit us in front, another car came up behind of course so that you couldn't back out. It was the usual form of hit. The same commando, a week later, assassinated an Iranian general in the morning when he was

taking his boy to school, dropping him off at school before going on to his duty in the Ministry of Defense.

Why do I mention this? Because when this happened the Shah's radio, the government radio, went on the air for a week or so saying that there were subversive revolutionaries being infiltrated into Iran that were determined to destroy all the good that had been accomplished by the White Revolution, and that if anybody in the countryside or the city saw any strange people around in groups, they should let the police know. In the following twelve months, about 350 terrorists were rounded up. Not because of the cleverness of Savak. In most cases, simple people called the police and said there were some suspicious people that might be terrorists. In the case of my commando, it's a bit more dramatic, because five of these people took refuge in a house in the poorest slums of Tehran, as a base to operate from. But they were new to this poor, slummish area. They kept to themselves; they were not friendly. They didn't like the kids in the street poking their noses and looking in their windows and so some of the residents said, "Maybe these are terrorists." So they called the police, these poor inhabitants of the slums. The police came thinking it was just another call. When the man who answered the door saw them he pulled out his gun and shot two of the policemen dead. The police killed three of them and captured one who was wounded. Of that commando of ten, I think six are dead and four are heroes of the revolution, or vice versa.

But I make that point that when this happened in 1969, there was no question of the Shah not having the support of the people and the bazaari (middle class merchants). They were better off than they had been in years. The wealthy class was better off because their lands

had been taken, but they had been paid and they had invested in a lot of this new industry that the government was supporting. And the people were better off. This, in effect, is the logical lead-in to the terrible mistake that the Shah made that was as much responsible, I think, as almost anything else for his destruction.

Q: This was after you were ambassador?

MacArthur: This was after I had retired from the Foreign Service. Would you like me to amplify?

Q: Yes, sure.

MacArthur: I retired in 1972. I had been in government then thirty-nine years altogether. I decided on a second career lecturing and being a consultant on international affairs with business and institutions. But I did go back to Iran after letting fifteen months, which is what all career ambassadors do because you don't go back in the first year and interfere with the new ambassador who's there making his own place. But after that I went back at least once and sometimes twice a year. In every case, I would let the Shah know as he had asked me to. In every single case when I got there I was told that he would receive me, and I'd go up and spend two, two and a half hours with him. He wanted to talk about a lot of things.

~~This leads me to the great mistake he made. I was not present~~
when he made it. The mistake that contributed as much to his downfall as anything occurred at the end of 1973 and 1974, when the

price of oil went up four times to astronomical figures. The Shah then modified a \$31 billion five year development plan that was about five or six months down the pipe--industrial development plan. That plan, \$31 billion stretched the the infrastructure of Iran, both human and physical, beyond its limits. But he might have been able to accomplish about eighty percent of it. Instead he took that \$31 billion plan and made it into a \$67 billion plan. What happened? The obvious. With all this money floating around, inflation went through the roof. The energy and communications infrastructure broke down. The masses of the urban poor, swollen by a massive migration of millions of illiterate people from the villages to the cities over the previous seven or eight years were suddenly much worse off. For example, when I left Tehran, it was growing at 250,000 people a year. These illiterates came down from the villages where they had eked out a subsistence existence in the little land that they could cultivate that was arable, that they could bring under cultivation with the limited water sources from springs. They had swollen the masses of the urban poor. The Shah found work for them; he had the equivalent of a sort of WPA such as we had under the Roosevelt Administration. They did a lot of construction and road building. But when inflation went up to forty-five, fifty percent and more, the masses of the urban poor suddenly were infinitely worse off than when they had been in the villages. So they were alienated. Secondly, with all this money sloshing around, corruption became visible. Members of the royal family, people close to the Shah were shaking down foreign businessmen who were trying to get a piece of this \$67 billion development plan like mad. It was so visible that the ordinary guy

in the street could see it. This also undermined him.

This situation went on for about a year and a half until he realized that he had to do something about it because things were getting out of hand. So then he decided to put a freeze, less ten percent, on all prices; increase the wages of the working masses by forty percent plus, and thus regain the confidence of the urban masses and get things under control. But all that happened was that the bazaari--the middle class, which a regime like the Shah's had to depend on more than any other group or class--suddenly found themselves squeezed. They were told, with prices going up (inflation was up to fifty-five, sixty percent by that time), to freeze their prices and then deduct ten percent and at the same time to increase wages forty percent. They felt squeezed. Two hundred and fifty thousand of them were fined or disciplined; a few went to jail for three or four weeks. The middle class was alienated. So you had first the masses of the urban poor, then the middle class estranged.

This situation went along for a year or two, and the Shah decided it was getting worse. So he called in Jamshid Amuzegar, the former finance minister, to deflate. Jamshid mounted a deflationary program which was making progress. But one of the first things that he cut was the ex gratia payment of about 115 million dollars a year that the Shah had made to the clergy, since their lands were taken away in the land reform of the White Revolution. So the clergy, basically and fundamentally alienated since the White Revolution--that gave women equal rights, helping to eliminate the veil, the chador; that took the education, the formation of the minds of youths, out of their hands and secularized it--on top of that they

lost the payments for their former lands. So by this series of economic decisions, like a Greek tragedy, one leading to another leading to another, the three great sectors of the national life--the masses of the urban poor, the middle class, and the clergy (which in all of the Islamic world occupies an unusually powerful place in Iran)--were alienated, and driven together with only one goal in common: get rid of the Shah. Otherwise they had virtually nothing in common.

Q: Let me turn this over.

[end of side]

You're all set.

MacArthur: If the Shah, when the price of oil went up four times, had taken a reasonable amount of this money and put it into better hospitals, better housing, better other things so that the results trickled down to the people, if he had stuck with his \$31 billion development program, the situation would have evolved very differently. Instead there was massive inflation, rampant corruption and a hideous breakdown of the infrastructure with cargoes piling up; ships paying demurage fees for eleven and twelve months because they couldn't unload; the energy infrastructure in hopeless condition. In the hottest part of the summer, you couldn't get the desert coolers working on top of the buildings or anywhere else because there were constant energy blackouts. The Shah's government just couldn't deal with the problem. The rail and road infrastructure broke down. The point I make is if the Shah had stuck with his original program, and

had devoted a substantial part of this to the betterment of the people, I think the situation could have evolved in a totally different way.

Q: You've described the makings of a sort of pre-revolutionary situation; but back, say, in 1969 and 1970, was the outlook for one of long-term stability?

MacArthur: The outlook at that time was that Iran was about as stable as it had been at any time since World War II, that everybody's life was getting a bit better, although the the rich were getting richer. There were plenty of problems, troubles and faults, particularly in the operation of the government, but given the transition that was taking place from feudalism, moving toward the modern industrialization of a traditionally quiescent agricultural country that had only one industrial activity--if you want to call it that--which is oil, things were moving along about as well as one could have hoped them to.

Q: Now, under Kennedy and Johnson, embassy officials had had fairly routine contacts with figures in the political opposition. People from the National Front, for example. Now was that practice continued when you were ambassador?

MacArthur: We saw people in the so-called National Front. I had them in my home. We saw them, but it didn't mean very much, because the opposition that existed in the parliament in terms of the

National Front was really sort of a stage business which, if it hadn't existed, the Shah would have had to create it. Perhaps he did help create it. They had no decisive voice or influence. It was a very, very tame opposition, if I may call it that.

We also set up, when I was there, a junior officers group in the Embassy because--one of the problems with being an ambassador or being a very senior officer in an embassy is that frequently, in certain parts of the world, people tell you what they think you want to hear. It's very difficult sometimes to get people in that part of the world to level with you about anything. We had some very bright junior officers, and they used to do their own quite independent reports that were sent in to the department. They gave them to us for our comments on them, but not to tinker with the words, or the prose, or the content. It was their report. I think they were more concerned than the senior people in the embassy, including myself, about the longer term possibilities of trouble. They would talk with younger Iranians who would level with them.

Q: On what did they base their concern, as you call it?

MacArthur: I think they based their concern on the young people they talked to in the universities. You know, you can't educate people and tell them they can't think about what's wrong with their country. If you're going to take somebody, from an illiterate family, and send him to a university and have him take various subjects, and study history and what's happening in other countries, and so forth and so on, you're going run into different opinions. Particularly in a

society where from peasant to university student or graduate, there is a gap and especially when those university students who had been sent abroad by the Shah's government to be educated in Western Europe came back. Our younger officers saw a lot of those young people, and of course, they were people who supported the revolution. Let me just say, in that respect, that in the commando that came on me (and it was true of the 350 terrorists that were caught--revolutionaries if you want to call them--in 1971 following the attack on myself), were virtually without exception almost all young Iranians, sent abroad by the Shah's government, paid for by the Shah's government, to Western Europe to be educated so they could come back and build a modern country. In ninety percent of the cases, they were recruited by the communists in French and West German universities. When they were sufficiently militant, and showed a real desire to be what our communist friends call the "vanguard of the revolution"--that small group were taken to West Berlin, through the wall to East Berlin. Not one of them was trained in the Soviet Union. They were dispersed to various places: to the Feda'iyān-e [Khalq], some in North Korea, some in Eastern Europe, some in Libya, some in Cuba. But our young people in the embassy saw students, who were graduate students--young people of their age, in their late twenties and so forth who'd been educated abroad--and their criticisms of what they saw at home, in terms of a government that was autocratic, in terms of a certain amount of corruption and the like even before 1974, was something that we at the senior level were not exposed to, because we didn't get around with those people in the sense that we weren't exposed to them for business or at parties, at social gatherings, and at other