

things. If when you were at official functions or other meetings you met with students, it was all in sort of a very tame way. They were very polite, and didn't raise any questions.

Q: So these officials at the lower levels did a pretty thorough job in looking at political intelligence?

MacArthur: The thing that they did is they got a view of an aspect of Iranian opinion, and a segment, and a very important segment--the young educated people of Iranian society--that the senior officers never really got, for obvious reasons, a vision of at all.

Q: Were these reports passed on to Washington, the State Department?

MacArthur: Oh, sure. They went back with the embassy's comments.

Q: It's been charged--in some of the accounts I've read, some the secondary historical works--that Nixon and Kissinger would not accept any bad news or critical reporting about Iranian problems. Maybe this was a later problem, after you were ambassador, but was this an impression that you had at that time?

MacArthur: I had no problem. I knew that they strongly endorsed the Shah's regime, and felt that it was the best that we could have, given the historic and actual circumstances. It was friendly; it was well disposed; it was determined to resist aggression. It was not beholden on us for economic aid; it was paying its way. Its air

force was totally trained in America. The Shah paid something like \$66,000 per trainee to the U.S. Air Force, and this made the Air Force happy. They were able, by these foreign trainees, to help keep bases open and do things that, from the point of view of their budgets, would otherwise have been more difficult.

Q: I have questions about arms sales issues, as to what you recall. What was the original Nixon Administration stance towards arms sales to Iran? Now, under Johnson and Kennedy there was a policy of maintaining control over arms sales--vetting Iranian purchases before they were made. Was this policy continued?

MacArthur: Yes. When I was there the air force was entirely American equipped. I say entirely American equipped--the Shah paid for it. But their basic plane was the F-4. They had some F-5E's, or F-5F's, I forget which. They were getting military equipment from both France and Britain. Our basic policy was that we should give them what they could absorb and assimilate and use, but we should discourage equipment they could not assimilate--and I certainly did my utmost with the Shah in that respect. I saw him on any number of occasions. On one occasion, I didn't know if they (the Iranians) knew how much military equipment they were committing themselves for. They would commit themselves to an acquisition subject to approval by our government of the sale. There were arms salesmen from every American arms company, and from every German and British and French arms manufacturer. My concern, as I mentioned earlier, was that they were getting a lot of this stuff, sticking it in a depot where it

would deteriorate and that they should ease up on purchases until they could assimilate it into forces that they had in being, and utilize it, and keep it at the ready. So I had my people in the embassy draw up a list of what we understood the Shah's commitments were. It totaled nine hundred and eighty-some million dollars.

Q: Million?

MacArthur: Million, yes; just under a billion. These were commitments towards the future.

Q: Right. Long term plans.

MacArthur: So I called up the prime minister and said I had something I wanted to talk to him privately about. He invited me up to his home. This was Mr. [Amir Abbas] Hoveyda--poor Mr. Hoveyda. I said, "Amir, do you know how much your government is committed to for arms purchases?" He said, "Yes, it's about \$400, \$450 million." I said, "It's 980-some million dollars; roughly one billion dollars--because we may not have included everything." He said, "My God. Will you go and see the Shah and discourage him from purchasing any more equipment, or perhaps reducing some of these things?" (I had explained that they couldn't assimilate it.) I looked at him, and said, "But, Amir, you're the prime minister. Why should I go and tell this to the Shah?" He looked at me and gave this pathetic smile and shook his head, and said, "You know, Doug, His Majesty doesn't like to have negative views from any members of his cabinet." I went

to the Shah and told him what the extent of the commitments were. He said, "We have money to pay for it. Our oil revenues are doing well," and he said the equipment would be well maintained. But it gives you an idea of how the Shah ran the government. This was one of his greatest weaknesses. When he saw something that he wanted to do, or he liked or thought was a good idea, he just said, "Do it." And there was no business of priorities. It was just a whole series of things, one piled on top of another. This also led to problems in every phase of the national life.

Q: Were there requests for arms purchases that were turned down--the Shah's requests, at any stage when you were ambassador?

MacArthur: I just don't remember. We were working on, I think, the F-15 plane. He felt that he had a commitment when he came over here on that first visit. I think it was the F-15 that was in the development stage at that time. But whatever it was, he thought he had a commitment from the President that he could buy that plane. I understood that there was no commitment on that plane. I talked to him about it, but he never clarified it with the President. I think we did not go ahead when I was there and give any approval for that advanced aircraft when it came on stream, given our own requirements. There were still F-4's coming in--I think it was an F-4F by that time--and the old F-5E's.

Q: Did any of the agencies back in Washington, like the Pentagon or others, want to put controls on arms sales to Iran? Were there any

debates?

MacArthur: Yes. I remember it was, I think, the Assistant Secretary of Defense came over at one time and felt that they were trying to acquire too much weaponry. I said to him, "You're talking to the guy who's been been convinced of this a long time. But the Shah has this like a bone in his teeth, and if he doesn't get it from us, he's going to buy it from the British and the French and the Germans." He turned to the Germans for the Leopard tank, and to the French for some form of surface-to-air missile. He took the TOW from us--the TOW was the most advanced anti-tank weapon, or ground weapon, relatively unsophisticated and easy to use. We didn't control the Shah. He made it quite clear to everybody that if he couldn't get it from us, he would turn to them. And of course, the British and the French were dying to sell--particularly the French--equipment. They wanted to sell the AMX-30 (that's their tank), the AMX-15 (their light tank). They wanted to sell surface-to-air missiles. They wanted to sell high speed torpedo boats, things of that kind. The French salesman were terrific; they covered the waterfront out there. The TOW missile--I don't know if you know about a TOW missile; it's a wire guided missile. The French spread a report to the Iranian military that the TOW was a missile that would go astray on the battlefield because it would be attracted by battlefield fires, as if it were some sort of an unguided thing that you just threw into the air and it went for the nearest heat or flame that it saw. So there were all kinds of stories.

Q: So in actual practice the Shah's requests for arms purchases in the United States could take place without U.S. control or interference? There was no effort to regulate arms sales?

MacArthur: Oh, sure, we kept tabs on what he asked for and had to give approval, but he got most of what he asked for.

Q: I wanted to make sure I understood that properly, that's all.

MacArthur: No, we tried to discourage him from taking more than he could assimilate and use. And with certain types of advanced weapons, approval was not given. When the Pentagon man, the assistant secretary, came, I said, "You're talking to one who is already entirely convinced, but if he doesn't get it from us, I just want you to know they're going to turn to the British and the French to get it."

Q: In May 1972 (this was after you had left, or shortly after) in connection with the F-14 deal, Nixon agreed--

MacArthur: The F-14? Is that what it was?

Q: Yes, I think it was.

MacArthur: I said F-15. You'll have to correct that.

Q: It will be done. Nixon agreed to let the Shah buy any

non-conventional weapons systems that he wanted. Was this decision in the works before you left? Do you recall? Or was that sort of kept in Washington?

MacArthur: The whole business about arms sales when I left was that we would have to be the final judge of whether we would release new and sophisticated weapons of various types to them. It was in our interest that Iranian forces be brought up to the point where they could defend themselves and thus represent a deterrent. They should be able to assimilate the equipment that we gave them. But I don't recall, as I say, the F-14. There was no approval of that given when I left. That was in the category of certain sophisticated weapons that are under development--we will have to see. Certainly the Shah asked for the F-14. I said F-15 erroneously. He asked for that when he came over in October, and that was the one where he thought he had the President's agreement--October of 1969, his first visit after I became ambassador, that state visit. The F-14 was one of the things he asked for, and he did not get it, although he thought that he had it. Later, when he asked for it, he was told that it was not available for export at that time. He said to me rather sadly--he shook his head, he was discussing this with me and said, "You were right. I thought I had a commitment, but I misunderstood."

Q: How would you characterize the Shah's foreign policy in the Middle East? What kind of a role did he want to play in the Middle East?

MacArthur: He saw himself as the principal power in the Persian Gulf. He saw himself as the dominant power in the Persian Gulf. He wanted to reestablish friendly relations with the Arab nations on the other side of the Gulf. This was very important to him. But in doing that, he wanted also that there be no doubt about the fact that Iran was the big boy in the Gulf. Which of course it was in terms of population. When you figure that Saudi Arabia at that time had a population of barely five million, and Iran was thirty-four million, something like that. So he wanted a dominant position in the Gulf. The Gulf was his lifeline. As he said, "If anybody interdicts the Gulf, it's like cutting an artery to my heart." And he wanted friendly regimes on the other side of the Gulf. Now you ask the question, well, why, if he wanted friendly regimes on the other side of the Gulf, did he grab Abu Musa [island] and Tumbs islands?

Q: I was going to ask you about that.

MacArthur: He grabbed them for one very simple reason. Iran had had a claim to them going back a very long time, but so did the Arabs, perhaps even a longer time--what are now the [United Arab] Emirates. But the Shah's position was very clear. He said Abu Musa and the Tumbs in the hands of unfriendly people can interdict the mouth of the Gulf and prevent people going out. "They can cut my lifeline; they can cut my major artery that leads to my heart."

Q: He explained this to you?

MacArthur: Yes, sure. Then he pointed out that the channel running close to the far shore was within artillery range, and that motor torpedo boats could dart out and sink things in the mouth of the Gulf, and close it off. So he was quite adamant about it. What he did do, though, was to give--I forget whether it was Dubai or Ras-al-khayma, or which one of the Emirates--he honored part of their right to the oil around Abu Musa by saying they could have a certain percentage of the oil business that came out from the oil exploration around the island.

Q: This move was in November of 1971--the seizure of the islands?

MacArthur: Yes, December, I think.

Q: Oh, December?

MacArthur: I'm not sure, but it seems to me it was then.

Q: Did this move have tacit support from Washington?

MacArthur: No, the last thing we wanted to do was to get caught in the middle of a business where the Arabs had a claim and Iran had a claim. Saudi Arabia is a close friend and ally of ours. On the contrary, we had sort of hoped, I think, that there might be some way to work out some sort of condominium arrangement, you know, with demilitarization and--

Q: Third-party patrol?

MacArthur: Fuzzing the sovereignty and so forth. But the Shah was absolutely adamant on that. The British who had had defense responsibilities for the Emirates tried very hard--very, very hard--to persuade him. In fact, I flew up to London and saw the Foreign Minister, Lord Hume, at one stage of the game. I think I was headed home but I stopped by there to see him, and to see first hand what the British views were. The United States and Britain, we really didn't want to see him (Shah) grab the islands, because it raised too many problems in our relationships with other very friendly Arab countries.

Q: I see. Now another move was to help the Sultan of Oman's campaign against local guerrillas. Do you recall that, or your reaction to that?

MacArthur: The British played the principal role in that business. We were virtually out of it and happy, I think, to be out of it. The British had the capabilities. They had the experience; they had been in the Gulf. They had the relationship. So that was one that I think we felt was, in terms of the Western world, not up to us. Furthermore, of course, to Britain, as an integral part of Europe, Oman in unfriendly hands would also mean (and the unfriendly hands were people like those that seized South Yemen and the like) that Soviet Union through surrogates might be able to close off the mouth of the Gulf, if you had an Oman that fell under the same type of

regime, that had close ties and received military aid and advisors from the Soviet Union. Whether we had anything to do clandestinely or covertly, I just don't know. The Shah was all for helping Oman. He sent over, you know, a thousand--

Q: Yes, he gave to Omanis.

MacArthur: He gave support to the Omanis. This was part of the whole business. The Shah met King Faisal at the great Arab summit in Morocco (in 1967 was it? whenever it was) at Fez. At that meeting-- it was before I arrived as ambassador--he told Faisal then that if ever Saudi Arabia was attacked (he had in mind Iraq for obvious reasons, because Iraq was receiving support, and was threatening Kuwait) in the area, without any agreement (he recognized the difficulties for Faisal, an Arab, to make an agreement with a Persian, given the disputes and the history), all he had to do was call for support, and he would send in support. Indeed, when the South Yemenis attacked a border post in Saudi Arabia and Faisal called the Shah on his offer, I got awakened at one in the morning because the Shah wanted to use three aircraft to transport some light infantry weapons over, and we had to give approval to the transfer of these weapons to Saudi Arabia because we had supplied them to Iran. The approval came back immediately. The weapons--I think three aircraft full of weapons--went over to Saudi Arabia to help them in cleaning out the South Yemenis that invaded their border post. It was very much in our own interest to have the Saudis and Iranians cooperating in such matters and thus strengthening the ties between

them.

Q: In 1972 through 1975 (again this is after you'd left) the CIA, at the request of the Shah, gave support to the Kurdish rebels in Iraq. Now was this an issue that came up when you were ambassador--the Shah's interest in having special support for the Kurdish rebels?

MacArthur: Well, it didn't come up, but we knew it was happening.

Q: But in terms of him trying to get a U.S. covert role in the situation, was that approach made to you at all or not?

MacArthur: No. We knew it was happening, but there was never a request to me. The Shah never discussed the action of the Iraqi Kurdish rebels, because it was inside Iraq that you're talking about.
[tape interruption; telephone rings]

All he ever discussed with me were his efforts to integrate the Iranian Kurdish community into the national life of Iran. Indeed, he had a Kurdish minister. One of his cabinet ministers was a Kurd when I was there. I can't remember which one it was. But we knew that he was giving active assistance to the rebels. We knew that they were coming across the frontier into Iran, and that they could have a safe haven there, and so forth. This was, of course, part of the basic Iran-Iraq mutual hostility. The Shah saw it as a means of weakening Iraq, just as did Israel that gave aid to the Kurds.

Q: Besides the October 1969 meeting between the Shah and President

Nixon, were there any other meetings, where they met, while you were ambassador?

MacArthur: I don't think so. And the President didn't come over.

Q: Did Kissinger ever come over?

MacArthur: No. Kissinger just came through for a plane refuel landing after he had secretly set up the Nixon-Chinese thing. Remember, he went to Pakistan and then disappeared for two days "rest." His plane simply came through on the way home and loaded up with gas, and went on to Washington. The under secretary came out, Elliot Richardson. He came out at one stage of the game. Now, do you want to get to the oil?

Q: Yes. Well, one other thing. In terms of the CIA's activities in Iran, can you discuss in general terms what its major activities were?

MacArthur: The CIA felt that they had sort of a proprietary interest in Iran, because they had helped get the Shah back. Successive people had come out there. Indeed, when I was there, Dick Helms, who was head of the CIA, came out and saw the Shah.

Q: Were you present or not at their meetings?

MacArthur: I don't remember if I was or not. I had no problem with

him.

Q: Apparently their main use in Iran was as a listening post. That's my impression, that that was the main interest in it.

MacArthur: They certainly were interested in that, and they were interested in anything that they could pick up--you know, the way they are--about any thing that was going on along the borders, and so forth. I had no problems with the CIA there.

Q: Okay. I think the oil issue should be brought up now. The Shah did express, at times, his philosophy of the role of oil in Iran?

MacArthur: Of the what?

Q: Of the role that oil would play in Iran.

MacArthur: Let me just think out loud with you about the oil problem.

Q: Sure.

MacArthur: The Shah knew that the Persian Gulf oil was essential to Western Europe and Japan, absolutely essential. He knew the value of that oil. He felt that the Western oil companies had really abused the oil producing states. He felt that they had taken advantage of their position, and that they had treated them in a way that was

inadmissible. He pointed out to me that in 1948 or 1949, the value of a barrel of oil was, I can't remember if it was \$1.49, just a hypothetical figure. I'll give you hypothetical figures because the actual ones, but they're in the ratio. Then when I was there twenty years later the value of oil was around, say, \$1.69--\$1.79, something like that. But in that time, in those twenty years, inflation for the things that Iran had to buy with that oil, the revenues they got, had gone far beyond that. So in 1969 and 1970, Iran, in value, in purchasing power for its oil, was getting less than it got in 1949. He looked at me and he said, "Do you think that's fair?" So he had this thing very strongly that the price of oil had to go up. Now, at the meeting in Venezuela--the Caracas meeting, the OPEC meeting in 1970, I guess it was, December--it was agreed that the following January or February there would be meeting in Tehran. At that meeting, they would give the oil companies ten days to reach an agreement for the price of oil, and if no agreement was reached, then the OPEC countries would go ahead and unilaterally boost the price of oil.

Q: They were following Libya's precedent already, weren't they?

MacArthur: What?

Q: Weren't they trying to follow Libya's precedent in this respect.

MacArthur: No. Libya hadn't done anything yet. I'm coming to that. When all this came to me, our government made a terrible blunder at

that time. In effect, they said, "Let the oil companies negotiate this."

Q: This is the joint approach.

MacArthur: The what?

Q: This was the joint approach, as it was called then, by the companies.

MacArthur: Yes, sure, it was a consortium acting. But the government isn't behind the oil companies; just let them go up against these guys. It's their affair, and so forth. That's all very well, an approach of that kind, but since then we've learned a hell of a lot better. Because you learn that if you let things go that way, if the price of oil is going to jump out of the sky, all of a sudden it has a hell of an effect on you. But it troubled me a great deal. So I asked to see the Shah in the middle of January, shortly before this meeting was going to come along. I'd been in touch with some of the OPEC people. There was a guy named Lord Strathalmond.

Q: Of British Petroleum.

MacArthur: Yes, and [George] Piercy of Esso. I went up to see the Shah, and I said, "Your Majesty, there's one very unrealistic thing that's going to take place in this negotiation that's going to take

place in Tehran under your leadership. That is, that if an agreement isn't reached in ten days you're going to act unilaterally. This consortium consists of British, American, Dutch and French. It's totally impossible, physically, to negotiate on the basis of ten days. You meet all day here, and then these guys, at the end of the day, go back and send a telegram. They send it to London, where the senior representatives are going to be. Then those guys debate it all day long, and then they send a telegram back and with the time difference, that's the next day." So I said, "You've got three days for just one exchange. In any negotiation, these aren't people that are empowered to do anything. There just isn't time." Then I said, "If you want to let Iran and the oil producers go ahead and boost the price of oil unilaterally, without giving time for negotiation, then it will inevitably have an adverse impact on relations between the oil consuming nations--including the United States--and the oil producing nations, including Iran. It will adversely affect relations." He looked at me. He turned deep, deep red; he slammed his fist on the table, twice, and said, "Mr. Ambassador, that sounds like a great power threat. I want you to know it won't work." He hit the table beside his chair again. I said, "Your Majesty, either I did not explain myself very well, or you misunderstood the thrust of what I was saying. What I said was simply this: if you and the other oil producing countries take steps that boost the price of oil unilaterally--tremendously, so that there's an adverse effect on the economic industrial life, including employment and everything else, in Western Europe and the United States, which are democracies, which have governments that are responsive to the public--there will be

outcries about such action, and those outcries will reach the Congress. The Congress will make its displeasure known, and the relations between our countries will be adversely affected."

Q: Let me turn this over.

[end of side]

You were talking about your response to the Shah.

MacArthur: I said, "So the outcries will reach the Congress, and they will make their displeasure known. Our government will be affected by the pressures in the Congress, and it will adversely affect our relations." He looked at me for about fifteen seconds. Then he nodded and said, "Yes, I can understand that. We'll do the best we can, Mr. Ambassador. Now, I want to talk to you about this other matter." And he turned to another matter. The result of that meeting was a very modest increase in the price of oil--welcomed in the West, welcomed by all. I was happy about it, having been the person that exposed myself to the Shah's anger, and having him agree that he understood.

About five months later, I got word from the court minister, my friend Mr. Alam, that the Shah wanted to see me. It was after Libya had received a three or four times increase in the price of its oil. I went up to see His Majesty. He was sitting there very calmly and collectedly, and said, "Mr. Ambassador, you recall that some months ago we discussed the problem of unilateral action in the price of oil. You recall that you said that if a country acted unilaterally it would impair relations. You recall that you urged me to be

moderate, and to give time, which I did, while negotiations went on. Fifteen or eighteen days, because of that time factor that you had mentioned." He said, "Then you turn around and give Khaddafi, that madman who's trying to create disorder throughout the Islamic world, a price three or four times the going price. You accept that with resignation and fortitude. I don't know if you listen to the broadcasts in Farsi from the radio up above Batum [Soviet Georgia], and from East Germany that are being beamed in 'The Voice of Iranian Resistance inside Iran,' beamed from the Soviet Union and East Germany. But they've been on me ever since the Khaddafi thing, saying that I'm the running dog of the imperialists. I do their will, and it's only when you have a great man like Khaddafi and you follow him that the interests of the Arab world will be safeguarded." He said, "This has taught me one lesson, Mr. Ambassador. When we negotiate with the oil companies and with you, the United States, the only thing you understand is if somebody behaves like a son-of-a-bitch." He never, never, never got over that. Why we let the Libyan thing go the way we did, I don't know. Why we gave Dr. [Armand] Hammer [of Occidental Petroleum] the ability to do that, I don't know.

Q: I had the impression that, at one point, the Nixon Administration wanted the oil companies, as a whole, to negotiate with the OPEC countries as a whole. The Shah refused what was called the joint approach. I guess Irwin came over--is that right?

MacArthur: No, no. It isn't. Irwin came over just to add emphasis.

He didn't produce anything. Originally the Shah had said, "We'll negotiate individually with the oil companies," but that was a minor point, and he accepted the business of the consortium which had been working together. That was never a difficult thing. Jack Irwin came over because he was Under Secretary then, I think.

Q: That's right.

MacArthur: He came over as a form of expression. The Shah reassured him of what he had already told us what we knew, that there was no problem about negotiating with the consortium.

Q: Was there ever any discussion of political or economic pressures on the Shah or the OPEC countries to get them to moderate price demands?

MacArthur: No. On the contrary, we behaved as if it was of no interest to our government. That's why I said the oil companies went in there with nobody behind them--no support from governments able to take sanctions or do whatever they wanted. I felt, frankly, that it was one of the silliest things that I've ever seen so-called "leading powers" do--to expose yourself and your oil companies, through your oil companies, to an action which, once taken, nobody can walk the cat back home without being called a running dog of the imperialists. When a decision is taken about the increase of a price of oil, it's taken and it's taken publicly and they're not going to walk away from it. We didn't do nearly enough, soon enough. We didn't seem to