

economy of Iran. Were those concerns still continued in the Nixon administration?

Miklos: Well, in the bureaucracy itself you always had--again this was not a unique argument. It goes back to the preceding era and continued. You had this argument going on right up to 1978 in the bureaucracy itself. That this would put undue pressures on the civilian side of the economy, undue pressures on the local human resources, on the bureaucracy, etcetera, etcetera.

Q: Now, in September of 1969 the Shah made a visit to Washington. Did you have to make any special preparations for that visit?

Miklos: We always make special preparations for a State visit, which involve preparing a Presidential briefing book, which means that you have a background study type of paper. Then you get in to specific issues and specific recommendations. This is sort of S.O.P. for any State visit. Depending on the country and the complexity of the issues involved why the book will be greater or thinner, but it's a very exhaustive and difficult exercise. You get in to the minutiae of "At 10:05 the Shah will do this" and "10:06 the President will do that" sort of thing. A whole scenario for the whole visit. Yes, we were deeply involved--we wrote most of it.

Q: This visit doesn't have any special significance that you can recall in terms of policy issues, or otherwise?

Miklos: Well, there were always policy issues, and there were always questions of the degree to which we would recommend to the President that we be responsive to anticipated requests on the part of the Shah. These invariably involved questions of the amount of assistance we would provide as well as the nature, the kinds of equipment, that we would be willing to provide. So, you know, you were always escalating, as it were, from one level to the next on this continuum that I mentioned. I don't recall specifically--I think F-14's was a question at that time. Whether we would be providing them or if so, how many. Again, not having those papers readily available I--.

Q: I think I read--I've heard--during this visit the Shah proposed to Nixon--someone proposed--that the U.S. agree to barter weapons for oil. Do you recall that connection?

Miklos: Again I don't remember the precise timing, but we did get a proposal from the Shah to take oil--which he urged we could store against a rainy day--and for this oil we would give him credit, which he could use to purchase military equipment. I believe that came at that time. But, it was not an idea which was accepted, I believe in 20/20 hindsight, very much to our distress. I mean we would have been better prepared to face the oil shock later on than we were. He suggested storing it in salt mines. Somehow he knew about it, or somebody told him about it.

Q: Did you attend any of the meetings with the Shah, or did the Shah attend the meetings?

Miklos: Yes.

Q: What impression did you get compared to, say, the earlier 1960s? Any changes that you might have noticed, that you can recall?

Miklos: I suppose to a degree he was much more assured. Forceful is not quite the word, but confident. Relaxed. Knowledgeable. After all, he had by that time talked to and known how many of our Presidents--from Roosevelt on up--innumerable Secretaries of State, Secretaries of Defense, Chairmen of the Joint Chiefs [of Staff], etcetera etcetera. And of course he, by that time, had been a world traveler, and received heads of state and government in Iran. In other words--you know--he had arrived as a ruler, and conducted himself accordingly, at least in his lights. On the other hand, I didn't detect any arrogance. He didn't behave that way. He was straightforward, businesslike. Always on the formal side--I mean he would address the Secretary of State as "Mr. Secretary of State you do realize, or I would like you to know this is what I think." It was quite formal in this form of meeting. But--I guess that's about it.

Q: I should have mentioned this earlier. In the summer of 1969 Nixon gave a speech in Guam--the Nixon Doctrine Speech. Did that have any special bearing on policy towards Iran in this period? Was there a connection made?

Miklos: I'm confident that we fed that in to our preparations for the state visit. It was taken in to account in how we presented the issues involved and how we presented our recommendations as to what the appropriate response might be, yes.

Q: I'd like to ask you a question about the petroleum issues during the early 1970s. Late 1970, after Libya raised prices first I think, and the OPEC countries met at Caracas to declare their intention to take over oil pricing. Do you recall how the State Department responded to these first moves by OPEC? Again, this might be a little too specific.

Miklos: Well, my perspective was in so far as Iran was concerned and the reaction there. The Shah, in effect, sort of matched that increase, and word got back to us that in a sense, you know, "no two-bit colonel upstart is going to show me how to conduct international oil affairs. So that was a factor in the beginning of the escalation of the oil crisis. That wasn't the only one, of course. The Shah knew the international oil business--he and Jamshid Amuzegar, who was at that time Minister of Finance. But he was the one that almost always dealt with oil questions in so far as the Iranian delegate to OPEC was concerned. They knew the oil thing very well, and so were able to deal with it in quite realistic terms. In other words what were the market forces, what was supply and demand, who were the players were and all that. Again, they'd both been dealing with this for a long time, were very experienced. So that's why I suppose he remarked about the "two-bit upstart." [laughs]

Colonel Khadafy was not gonna outshine him. As far as I know it was never made public, but it got back to us one way or another.

Q: During this period John J. McCloy was working with the oil corporations in trying to formulate what was called a "Joint Approach" vis a vis OPEC. These are corporations that tried to work together against OPEC in a joint approach?

Miklos: Well, again I don't remember the exact timing. But the oil companies came in to see the State Department--they were concerned. As I mentioned to you earlier, normally the oil companies did not bother to look to the U.S. government to provide them with guidance or assistance. They would do their own thing, and they generally did. But this was becoming quite serious and difficult. The feeling was it was beyond the capabilities of individual oil companies to deal with these issues separately. The obvious question arose as to whether some kind of joint approach would be in violation of our anti-trust laws. I forget precisely who it was--it may have been the State Department, but in any event the question was formally presented to the Justice [Department]. As I recall--and one would have to get the precise documents--in effect this was not. The sort of the ground rules were laid out that it would not be something that the Justice Department would object to. Being lawyers involved in all of these I'm sure--as a matter of fact I know--it was all very carefully spelled out in legal terms. But the upshot of it was that there was an agreement between the oil companies and the State Department that we would undertake to speak to the foreign

governments. Not with a oil company brief in hand, but that we would speak with the various producing countries--not all, but some of them--to discuss these issues of price reduction and of nationalization and its effects, etcetera. Of course Iran as you know had nationalized its oil in years previous. So that wasn't an issue so far as Iran was concerned.

All this led up to a mission by then Under-Secretary of State Jack Irwin to the area. I was on that mission. We went to Saudi Arabia, to Iran, and Kuwait, and to which North African country? Tunis [Tunisia]. I believe that was the four countries. Spoke to the Shah in Iranian of course. We saw the Emir in Kuwait, etc. etc.

Q: Now, what was the upshot of the meeting with the Shah, and Amuzegar for that matter? I read that Irwin abandoned the Joint Approach idea, that MacArthur suggested that he abandon it, take a different tack? I'm not sure of the details.

Miklos: I'm not sure I know what you mean by saying "abandon the Joint Approach idea".

Q: The idea of having the oil companies take a collective approach towards dealing with OPEC. That idea was dropped. I'm over-simplifying it, I think.

Miklos: No, I think you're right there. Because we felt that there were different conditions and different considerations involved, say, in Iran, vis a vis Saudi Arabia, vis a vis Kuwait, vis a vis Tunisia.

One of them of course was the fact that nationalization was not an issue in so far as Iran was concerned. What the other differences and issues were, again, I'm sorry I just don't remember with any clarity or precision. My general impression of the mission--and I'm sure the archives could help here--Jack then wrote a report to the President about the mission, and what we felt had been achieved or not achieved. Basically it was that we had made our views known at the appropriate level, that we were confident that they would be taken in to serious consideration in terms of these countries' actions and behavior in the future. I don't recall that--we had not intended it to be a negotiating mission. It wasn't. It was more, "here's the way we see things and we are here to listen to what you feel about the issues" kind of exercise.

Q: I read somewhere that during these meetings, around this time, the Shah threatened to shut down production in the Persian Gulf if the corporations took a collective approach toward OPEC. Do you recall this kind of a threat being made at that time?

Miklos: No I don't. I seriously doubt--if he did make it. I mean, it's not a credible threat, and I don't think he would have made it for that reason. Certainly if he did make it, why, we wouldn't take it very seriously. That's why I say I don't remember it now--just logic suggests that it was not.

Q: Before we turn to the fall of 1973, the oil price explosion, I'd like to turn to the May 1972 meeting between Nixon, Kissinger, and

the Shah in Tehran. They were coming back from Moscow, they stopped in Tehran. Do you recall, did you read accounts or read reports of those meetings when you were at State?

Miklos: We didn't really get--at my level--an account of what transpired. As I recall it was a very brief stopover. With the major exception that we understood that the Shah and the President had discussed military, as they always did, the international scene. But then when we got back to specifically bilateral relations and the military situation--I believe this was at the point where the President had concluded that our interests would best be assured by creating, or helping regional plans to assume some of the security obligations that we had sort of implicitly held previously. Iran and Saudi Arabia would be pillars that we would build on, for stability in the area. That does remind me, that was actually in our earlier report and recommendations. We made a recommendation, now that I think about it, that the two regional security pillars would be Iran and Saudi Arabia.

Frankly, Saudi Arabia would not be a very strong pillar--at least in the early days, it was sort of ludicrous. But still that was the general approach. Also that we should not be questioning the Shah's judgments as closely and as intensely as we had in the past. That, after all, it was his country and he'd been there running things for a long time with reasonable success. That we ought to listen to, respectfully, to what he had to say about his needs and demands. We were not necessarily going to be able to respond to them



fully, but at least he was the one that would decide.

Q: Was this change in approach, did you know that was in the works before this meeting?

Miklos: No. I can't recall any direct evidence that this rather sharp departure from the past was involved. So, I suppose one would like to conclude that it emerged in the President's and/or Kissinger's thinking as a result of their travels to Moscow and a reassessment, if you will, of the environment in that area of the world.

Q: Now I read that during the year or so before--sometime before those meetings in Tehran in May of 1972--the Shah might have threatened or suggested that he would turn to the Soviet Union for more and more weapons unless the U.S. gave him more access to American weapons producers for his military requirements.

Miklos: I don't know that he ever explicitly "threatened" to do that. The fact is that even much earlier he had made it clear to us on various occasions that if we weren't able or willing to be forthcoming to what he felt were his legitimate military needs that there were viable alternatives. Mirages, for example, from the French or tanks from the British, etcetera. Also, there was a sort-of low level military supply relationship with the Soviet Union. His armed forces getting trucks and rifles, things like that. So, he might have implied that , well, if we weren't forthcoming this could

escalate in to something beyond that. It might escalate to the point he made, but I really don't remember precisely. But I don't find it unimaginable.

Q: Do you think that balance of payments considerations might have influenced Nixon's decisions to increase the Shah's ability to buy U.S. weapons? Improve the export situation, given the dollar crisis of the previous year.

Miklos: Yes. Well, let me say this. This was always sort of one of the boiler plate rationales for providing military equipment. It was sort of, "And by the way, this will help improve our balance of payments." But it wasn't a prime consideration, it was just sort-of this was just an additional benefit.

Q: Once the decision about the Shah's ability to buy in the U.S. weapons market, once that decision was made, were there any criticisms from other agencies? Were there any debates or discussions over the policy?

Miklos: Oh yes. Presidential decision within our system of government, as the presidents have said themselves, doesn't necessarily mean that the bureaucracy is going to snap to and march out in the direction they were pointed in. Yes, there was considerable debate. The President's decision was put in a memo, which was sent to the heads of the appropriate agencies. Specifically the Department of Defense, the Secretary of State,

etcetera. So that this was known--this was a presidential decision. But when you get down to implementation by the bureaucracy, some of them would not accept this philosophically or for whatever other reason. They would still argue and debate the question. So, while I knew--I mean as far as I was concerned I had my marching orders and I knew that in the debates I was going to prevail. But, it wasn't something that, you know, everybody just fell in to line overnight.

Q: Who was especially critical, which agencies? People at the Pentagon, were they--

Miklos: Yes.

O: What were their criticisms, or problems?

Miklos: Well, there were some people who just felt the Shah shouldn't have these things. What their reasons for this were I'm not really entirely sure, but they just felt, you know, he shouldn't have it. It wasn't right. Then you got a lot of other kinds of arguments about absorptive capacity and commitments--and there was certain legitimacy to that, no doubt. I mean one did have to, and I don't think the Nixon administration--the President or Kissinger per se didn't get in to detail like that--that they would object to people raising these kinds of questions. Indeed we raised them with the Iranians themselves on a continuing basis. You know, "Now you've got to make plans about this. You've got to develop a support system for all of these things you're getting in. You've got to realize

what's involved here. It gets more and more complex as the equipment or the systems themselves get more and more complex." So this was part of an ongoing debate.

There were people who just felt, you know, they'd had it. When it got to that kind of a question then one could rely on the President's directive.

Q: How do you think this decision worked out in practice? How would you assess it in practice, this decision to increase the Shah's ability to buy weapons. Was he able to deal with maintenance and training questions successfully?

Miklos: Well, there were tremendous problems involved in terms of organization and management and all of the training, and all the rest of it. No doubt about it. As I recall this meant that our military technical assistance--presence--in Iran, which had grown smaller at one stage, began to grow again. Then you had a lot of civilian contractors who were providing support for systems that they had built or manufactured. So that the overall American presence in Iran ballooned. When I went there in 1974 it was growing, and it sort-of peaked at about--I'm not talking about just the official. Far from it. But you had a lot of private American companies who had nothing to do with defense or anything else doing a very good business. We must have had about 50,000, or maybe more Americans.

Q: In his book, Gary Sick is very critical of the major decisions about arm sales to the Shah. He suggests that this is a decision

where the tail was wagging the dog, as he put it. How would you respond to that kind of a criticism? I think you mentioned earlier, the other day, that you had problems with this interpretation.

Miklos: Well no. My problem was with Gary's introduction to his account of the Shah's fall--I think it may have been to that also--if that's what he said.

O: Yes. That's the term precisely.

Miklos: I would have not agreed with that. Just generally his characterization of the Shah and the regime, and the Shah's perception of himself and perception of Iran I did not feel was entirely accurate, from my perspective, anyhow with my long-term association with Iran. I didn't object at all to Gary's account of what happened in Washington during the fall of the Shah. I wasn't involved with that, either, so I have no basis for commenting on that. It was just the sort-of setting the framework, as it were, that I didn't really agree with.

O: I've read that as a condition for taking responsibility to play a more active role in the Persian Gulf. The Shah also asked Nixon if the CIA helped for the Kurdish insurgency in Iraq. Did you know about this decision at the time, in 1972?

Miklos: This is an area, I really don't think I'd like to get into--it's quite a complicated thing, and I don't think I'm free to

talk about that.

Q: I have a couple other regional type questions to ask. Besides this Kurdish issue, the Shah gave support to the Sultan of Oman during this period, who was trying to suppress a guerrilla insurgency in his country.

Miklos: That's right. He sent troops there.

Q: Did the U.S. discuss this with him, or did the U.S. encourage him to take any action along those lines?

Miklos: I don't recall that we got in to any specific discussion with the Shah on this. [Tape stops and starts]

Q: Okay. Start the answer again.

Miklos: Well, I don't recall specifically that it was discussed with him although it might have been--I really don't know about that. Let me put it this way. I certainly don't recall that we ever suggested that it was an unhelpful thing to do. I think we might have--well, I know we were very interested in the Iranian military performance there. There was sort of a critique, several critiques coming out from the other side of the Gulf about their behavior.

Which generally was they were very brave but obviously inexperienced, and sometimes not terribly well disciplined. So that you got a mixed picture of their performance, but as they did grow in experience they

became more effective. Certainly in broad, general terms the U.S. government was not at all unhappy to see the Sultan getting some assistance, since he was viewed as a friend of ours. A friend of our general policy there.

Q: Another regional issue was the Shah's seizure of the Tumb Islands, I guess some time in 1971.

Miklos: Greater and Lesser Tumbs and Abu Musa, yes.

Q: Did the Shah give any advance notice about this move?

Miklos: Yes.

Q: How did he explain it?

Miklos: Well, this was done very secretly, very confidentially, with the British deeply involved as a special envoy. The thing was set up in advance. In other words, the people who were on these islands knew that it was going to happen, or at least they were supposed to know, and the rulers had been told about it. This was more a British operation than the U.S. We were informed, but briefly. They were the ones who were doing this. So, I guess it was on Tumbs when the Iranians arrived, the local commander either hadn't gotten the word or didn't want to listen to it or something like that. So there were some gunfire exchanges and people killed. I'm afraid I don't remember how many. But we all said, "you know, this is ridiculous"

because the thing had already been planned from the outset. On, I guess, on Abu Musa where it had gone according to schedule why the local commander was out there and greeted the Iranian troops, and then they paraded down the street together.

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Begin cassette 1, Side 2

Whether I learned about it, whether I had fore-knowledge--we certainly had fore-knowledge that the Iranians were going to land there. What I'm a little uncertain about is whether I personally had fore-knowledge that it was all going to be stage managed. I'm not sure whether I heard that before that, but it was.

Q: What was the official U.S. reaction to this move on the Shah's part?

Miklos: Mind you, this had been preceded by claims that these Islands belonged to Iran for some period of time. The reason that Iran had not acted on what it felt was its sovereign right in the past, in part, was due to its unwillingness or its inability to confront the British over this. But the time had long since passed where they were not going to pursue the matter and further delay assuming their sovereign rights. That the U.S. had a response or reaction I don't really remember. I'm sure that, you know, the noon day press conference guy must have been asked a question, he must have provided some kind of an answer. Probably along the line,



"Well, it's, you know, it's Iranian territory."

Q: I think I read it in Sick's book, that at some point in the 1970s the U.S. requested the Shah to provide weapons to Somalia for use against Ethiopia. Was this under Nixon? Sick suggests that in his book at one point. I forgot what he says about what year it occurs?

Miklos: Well, again I can't remember precisely. Yes. Well we were asking the Shah as time went on to do a lot of things, and he generally did. At least where he felt that there was a mutual interest, and he wasn't being treated as our lackey. But, mind you, I don't know if Kissinger said this in his book or not but the Shah and the President, and of course Kissinger, saw things pretty much the same way, and thought about international forces and events pretty much the same way. So that when we had occasion to discuss specifics, for example the Ethiopia situation, there was an identity of view. Here, was a Russian presence in the Horn of Africa. This was a potentially threatening thing to Iran's interests, to our interests, and they got on to the question, "Well, what does one do about it?", or "What can one do about it?". We could well have gotten to the particulars of Somalia's use of military and/or financial assistance. We'd help out--sure! We requested him to help out in Sub Sahara affairs from time to time. Modest--not military equipment, that is, but financial assistance. He was forthcoming. He was forthcoming in so far as Egypt was concerned. Again, you know, it was mutual interests.

Q: When you were Country Director, during the early 1970s, how often did you visit Iran? Were there periodic visits? You mentioned the one with Irwin.

Miklos: I guess I managed to get there not every year but maybe, eighteen months. In other words about two or three visits during the time that I was Country Director.

Q: For like routine consultations at the embassy?

Miklos: Yes. And of course you had the ambassador coming here to Washington--state visits. So, it was quite a back and forth.

Q: What were your impressions of the political and economic situation in the country as a whole, say compared to when you were there in the early 1960s? How have things changed?

Miklos: Well, you asked me about my impression of the Shah in that period. I would say that this was in broad, general terms also my impression of the country. In other words, much more confident, more dynamic if you will. A lot of things were happening. There were people that argued too much too fast, but in a dynamic, forward moving situation.

The political scene was quiescent if we wanted to talk about politics. Was there active opposition, great ferment and all that--no. I think the country was sort of preoccupied. There was so much going on on the economic side--in economic development, this

explosion of the middle class, people traveling abroad and coming to the country. So that one was--it was an infectious, you might say, atmosphere.

Q: So that the concerns of the late 1950s about political instability had disappeared largely by this period?

Miklos: By and large on the part of most observers. Now there, you know, there were continuing critics. People didn't like the Shah for one reason or another and people who felt that, you know, this was all just a Potemkin Village exercise and it was all going to collapse. One heard that, but it was far far from the majority view. I'm not talking about just Americans, but just any outsider, or most Iranians, for that matter.

Q: What kind of a sense did you get of the depth of popular support for the Shah in the country?

Miklos: The Shah was never a "popular" figure. Respected--I mean he was the Shah. Shah-en-shah. I suppose there was an element of fear, not paralyzing certainly or anything like that but, you know, he was the boss. I would put it this way. I don't think that you encountered--I didn't, and I don't know of really, if very many people did--anybody of consequence who really doubted he was in charge. It was generally agreed the Shah was firmly in control. Now, as I say there were these criticisms from time to time that one heard about "Well, this is bound to fall apart one of these days."

Not that it was about to happen tomorrow, as you did hear in an earlier period. The reins of power were in his hands--the military, the internal security, all of the major economic institutions. It was all there, nobody else had it! So there basically wasn't even any argument about it.

Q: Now, during these years religious opponents of the Shah, like the Ayatollah Khomeini, were active. At home or overseas--overseas by this point.

Miklos: He was in exile, yes.

Q: Did State Department officials monitor his activity, or his influence? Any special attention paid to him or the religious opposition.

Miklos: Little to none, that I know of. In the first place--and I know that there has been comment about he should have been involved much more deeply with the religious opposition. Well, it's ludicrous to suggest that in any objective way, that an outsider, a non-Iranian, was going to be able to penetrate the inner-circles of a closed society, which it was--particularly a religious closed society, and debate the issues of the day, or even discuss the issues of the day with these people, is just absurd. This applies not just to Americans, but to any outsider. And that certainly includes Soviets. You are a farangi, a foreigner. It's hard enough to get in to just Iranian society, per se. As I mentioned I was very fortunate