

Q: Over the years it's been suggested that people like David Rockefeller or John J. McCloy, who works closely with Chase as an attorney, people like Nelson Rockefeller, as well, had a fair amount of influence on the way the U.S.-Iran policy developed over the years. Does that ring true in any respect?

Miklos: That's very difficult to say. There was a personal, professional relationship between the Shah and David Rockefeller. I recall accompanying David to one of his meetings with the Shah when I was in charge, and we discussed general things, and then the Shah asked to speak with David privately, which, of course, I left. But my impression was that the private conversation quite possibly dealt more with the banking relationship, the Shah's personal or private banking relationship with David Rockefeller, than with any grand national policy questions.

To the extent that the Rockefellers had the President's ear, and whether they said anything to him about Iran that had any perceptible influence on U.S. policy toward Iran, I don't know if that happened. I never saw any particular sign one way or the other. We know, of course, about subsequent events, the hostages and that sort of thing.

Q: When the Shah was admitted to the United States.

Miklos: That was, I think, quite a different thing. I never had the impression--of course, when Nelson Rockefeller was Vice

President, he came to Iran and met with the Shah, as did David, and they had an interest, they seemed to have always a lively interest, but I think this, in part, went back to the banking relationship with the Central Bank or Bank Melli and that sort of thing. As I mentioned, there was a housing project.

Q: Did International Basic Economy have operations there? International Basic Economy, I think, was Nelson's firm. Did it have operations in Iran?

Miklos: That's the one that did the housing project, as I recall, yes.

Q: What about McCloy? Did he ever visit Iran while you were DCM?

Miklos: No, not that I can recall. I know that he was one of our elder statesmen, and people would talk to him. Generally, as I recall, questions of oil were involved. He was in some of these conversations one way or another. As a matter of fact, I think we discussed this before.

Q: In '1971?

Miklos: Yes, and the question of whether the Department of Justice could accept the U.S. going and talking--no, I'm sorry,

I'm getting a little off here. Whether the companies could work together in presenting a position which the United States would then take on board, so to speak. McCloy was involved in those discussions.

Q: That's right. Who directed the Chase's branch at Tehran? They had branch offices at Tehran?

Miklos: I think there was a branch. I guess there were three, maybe more American companies, eventually, that had branches; they weren't just correspondents, but had branches there, and Chase was one. Citibank was one. I think Mellon--was Mellon there? Somebody from Philadelphia, Pittsburgh, something like that.

Q: Mellon National Bank, maybe? It's Pittsburgh-based.

Miklos: I remember them there. Whether it was a branch office or not, I can't remember. As a matter of fact--I don't have it here-- I remember we put out a book, or I saw books, an overgrown pamphlet, and it listed American business and business activities. It may even have been in the context of this Joint Commission thing. There were X number of American branches and then those that weren't branches, with a presence, and who they were affiliated with, other American companies. It was quite an impressive listing when you looked at it. There was a certain

amount of investment, obviously. When they came in with a branch, they made an investment there.

Q: I've read that people like Rockefeller and McCloy believed strongly that the U.S. should have a strong relationship with the Shah and pursue close economic and political ties with the Shah. People like Rockefeller and McCloy, as well, they generally supported that policy approach. Were there any other prominent people in the business community that would also be in that same camp and would visit the embassy from time to time that you can think of?

Miklos: No, I can't think of anybody off the top of my head. You know, David was very internationally minded, and you might say that our American banking interests, he was the lead in that, and was out there before almost anybody else.

Q: That's right.

Miklos: So you might say it was understandable and natural for him to be very visible when he came to Iran, particularly as it became much more prosperous than it had been. But there were an awful lot of people coming through there, and like I said, this Joint Commission, you had some very important, impressive titans of American industry or finance, having an interest in Iran. But nobody sort of stands out as being on a sustained basis, a

continuing basis, having the kind of visible--I shouldn't say "presence," but being as visible and vocal about Iran and the Shah as David and, to a certain extent, his brother Nelson.

Q: Interesting. When Chase Bank or other multi-national banks made loans or investments to Iran, did they discuss their long-term plans with embassy officials?

Miklos: No, not that I recall, no. Bill [Roger] Brewen, I don't know if you've interviewed him or not, but he would be able to give you better insights on the details if any of that. Certainly nobody discussed it with me that I can recall. I did talk with Mellon Bank people at one stage, and this was more broad, general, what the environment was at the time and if they were going to come in, what could they expect, so to speak, again in broad, general terms, not about any specific business plan or anything like that.

Q: Just setting up operations as such.

Miklos: Right.

Q: Apparently, Chase Manhattan and Citibank had a fairly competitive relationship in Iran, so I've read.

Miklos: They did.

Q: And Citibank was especially aggressive and made loans, especially to the Shah and his family. Did this competition cause any problems, any political or diplomatic problems with Iran?

Miklos: Not that I recall. I know that they were very competitive, but I was never personally knowledgeable about the areas that they were competitive in. That is to say, were they competing on making loans to the royal family or somebody else, I have no idea about that.

Q: I've read that the Central Bank people complained about Citibank's behavior, and Citibank had to pull some people out of Tehran at one point, but that's all I know.

Miklos: The Central Bank complained?

Q: Somewhere I read that.

Miklos: Now that you mention it, I vaguely remember--well, it's just too vague, whether it was about whether they were making loans or whether they were getting into areas that were not acceptable or permitted by their charter. I think that if there was anything, it was in that area, that they were sort of overstepping the bounds of their charter.

Q: I see.

Miklos: But it's really quite hazy.

Q: In 1977, Chase organized a banking syndicate to loan the government \$500 million to help balance its budget that year. Apparently, this loan was problematic, because the government of Iran disregarded an article in the Constitution which required Parliament to consent to any state borrowing. Does this ring a bell? Did this law raise any political concerns at the embassy, whether it was actually legal in a constitutional sense, the government to engage in the borrowing without consulting with Parliament, which I guess it did not? It didn't consult the Majlis.

Miklos: Chase took the lead in heading a consortium which would make a loan to the government?

Q: Yes.

Miklos: Again, I'm sorry, my memory is weak on this. I do faintly recall some debate in the Majlis about this. Whether it was in terms of whether this was according to the Constitution or whether it was just a disgrace that Iran had to seek this loan or what, I don't really remember. I'm sorry, that's the best I can

do on that one.

Q: One important political development inside the country during the mid-Seventies was the creation of the Rastakhiz party, the Resurgence party. What was your reading of this development? In 1975, I think it would be.

Miklos: You'll get a lot of debate about this, and there were different opinions within the embassy, as well as elsewhere. My own view--and I argued with some of our political officers about this, who had different views--was that this was another one of the Shah's attempts to marry Western democracy or democratic style of government with Persian traditions and requirements. My political officers would argue that this was just a cynical manipulation of the political system to bolster, if it was needed, further the Shah's grip over the entire society and all of its operations. I really didn't think so, but that was a matter of opinion.

It's interesting. Two of my good friends, Iranian friends, were appointed to work out, you might say, the Constitution for the Rastakhiz party, which would state its basic philosophical principles, again, which was sort of a marriage between the West and the East, as it were, and they just had a terrible time, never really came up with anything that they were satisfied with or that anybody else was satisfied with. One of the participants is a neighbor here.

Q: Who was that?

Miklos: Just a moment and I'll think of his name. Amuzegar was one, but he's not the neighbor; he's in Washington. The name will come to me. He's a good friend of mine. I don't know why I'm suddenly drawing a blank, but he was the chancellor of one of the universities there. Anyhow, that was my thought, and this was another in a series of ongoing efforts to make some kind of sense of the Iranian political system and to make it work in a way which was acceptable to the modernizing, Westernizing elements of the society, which was burgeoning, as well as to the more traditional side. Maybe it was doomed to failure from the start, I don't know, but that was my perception of what it was all about, and not as a cynical manipulation of the system just to consolidate even further his grip over the whole political system.

Q: One question I should have brought up earlier that occurs to me was that during 1973, the Arab-Israeli War breaks out, and Sadat's getting military aid from the Soviet Union into Egypt. At one point, Sadat requested the Shah to let the Soviet Union fly over Iran so it could resupply Egyptian military. Helms was ambassador at this stage, and Helms gets instructions from Washington to protest the Shah's position to allow the Soviet Union to fly over Iran. I guess you were at the country desk at

this stage. What happened? How did this turn out? Did the protest lead to anything, any concessions on Iran's part or any kind of a statement to the U.S?

Miklos: I really don't remember the details. Again, I remember it was vaguely a question of overflights. What happened, who said what to whom, what the result was, I just don't remember.

Q: In the years after '73, the Iranian economy experienced an inflationary boom as a result of the explosion of oil revenues, a massive boom. What kind of impact did this boom have on social and economic conditions in Iran? From your vantage point in the city, how did you see this development?

Miklos: It was analogous, in a certain way, to a sailor going on a drunken spree after having been at sea for a year. It was just chaotic and obviously disruptive. There was this inflation which was dampened, to the extent it could be dampened, by massive imports of consumer goods, massive disruption in the transportation and marketing sector to try and deal with all of this, construction booming willy-nilly, demands for qualified labor, of course, going out of sight, etc. So it was very chaotic and disorderly. Disruptive--I hesitate to use the word "disruptive." I mean, it was a boom, with all of the manifestations of a boom. I suppose that one could argue that in the end, it was contributory, not necessarily in a major way, but

certainly contributed to what eventually happened with the downfall of the Shah, all these people drawn in from the countryside, no place to go, not skilled, seeing this enormous wealth, but not being able to really be a part of it because they didn't have the skills, so on and so forth. It's what you would expect.

Q: During 1975, as inflation became an increasingly serious problem, the Shah launched an anti-inflation drive, in which the Rastakhiz party played a substantial part. The party activists or party members took a role in supervising prices at the bazaar, they supervised profits, and in the wake of the campaign, a fair number of businessmen, large and small, were arrested for gouging, I guess, or price fixing, whatever the charges were. What was your evaluation of these developments? For example, was there any concern that the Shah's efforts to arrest the businessmen might lead to an alienation of the business community against the Shah, that this might have political fallout that could cause problems?

Miklos: I recall thinking at the time that this was not going to be terribly effective, that this was more a P.R. exercise, and that the bazaari was going to manage, as the bazaari manages over the centuries, to prosper and survive. There might be a few examples made, but that it basically was not going to alter fundamentally what was going on.

When you mention this, I'm reminded of a campaign called WIN, here in the United States.

Q: About the same time.

Miklos: About the same time. And we know where that went.

Q: That same year, the Shah implemented another populist-type measure. This is a law for the extension of industrial property, which required large firms, both Iranian and foreign, to sell 49% of their shares to their employees. The same law also restricted foreign participation in joint ventures, joint Iran-foreign firm ventures. Did these laws have much of an impact on the operation of U.S. companies in Iran?

Miklos: It bothered some of them, obviously, and they came to us and talked to us about this, and even wanted us to make representations to the Iranian Government in general, if not specifically, with reference to their own particular situation. As I recall, we didn't leap to this challenge with alacrity, basically because we thought that this was Iranian business, internal business. I'm not even sure we thought it was necessarily a bad thing, if we had any view about it one way or another. I think it was in part, though, from the Iranian point of view, in part a response to a growing sense of nationalism and pride and a certain amount of resentment of the overbearing

presence in certain areas of outsiders.

As I say, to the extent that I recall this very much at all, I'm not sure that we had any value judgment to make about it one way or another, in other words, that this was a terrible thing and that we ought to really be talking to the Iranians about this in a very aggressive way and so forth.

Q: Was Rockefeller's investment group concerned about the impact of these laws? Did they bring it up?

Miklos: Not that I recall.

Q: Later in the Ford Administration, I guess by 1975 and 1976, the question of human rights in Iran became a subject of some controversy in U.S. political circles, in Congress, in various private organizations, and so forth. What was your thinking? You talked about this a little earlier in the interview, but what was your thinking on the extent of the problem of human rights in Iran?

Miklos: I'm trying to think back to my frame of mind at the time, not necessarily what it is now. Let me personalize this. While I recognized that there were certainly not human rights and freedoms as we define them in the United States, and that there was even an element--I didn't think it was very large, but an element, I don't think it too large, of brutalization, of false

imprisonment or political imprisonment that would certainly not be agreed to by the Civil Liberties Union, that the way to deal with this, and the way we argued with many of these groups that came out, was through quiet persuasion, instead of trying to make this a public issue which would really not accomplish very much. It would irritate everybody, and in the end be counterproductive to what we were both trying to do; and that was to enhance the system in ways, or encourage it, let me say, to take these legitimate civil rights desires into account. But you're not going to transform, at least my feeling, you're not going to transform this very old, ancient society with all of its traditions and values overnight. This is an evolutionary process. As a matter of fact, many of the things that the Shah was doing were evolutionary and really affronted, as we know, the traditionalists. So as I say, my feeling, indeed, it came to be the view of, I thought, some of the more responsible groups. One of them was the American Lawyers Union.

Q: William Butler's organization?

Miklos: Butler, who I thought was a very able guy. I didn't have any particular disagreement with Butler at all. I think he went about it quietly, talked about specific examples and not broad-brushed condemnation of everything. He said, "What about this," or, "What about that?" That's the way you make progress.

Q: Charles Naas mentioned that the Department got many letters of inquiry about political problems of various Iranian literary figures, poets, opposition figures, intellectuals, and these letters were generally forwarded to the embassy, where they were dealt with in some fashion. How were they dealt with, these inquiries that came to the State Department?

Miklos: We had worked out an understanding or agreement that, as I recall, this was an agreement that the ambassador had reached with the Shah, that where we got the specific complaints, that we would bring them to the attention of Minister of Court. They would look into these specific cases and tell us their point of view or whatever it was, what was involved, what the facts were. And this is the way we did it. We would quietly take these letters or names, whatever we had, and I did this on a number of occasions. I dealt with the Deputy Minister of Court.

Q: Do you recall who that was? The name of the person?

Miklos: Again, I don't remember the name off the top of my head. I can see his face right now, but I can't remember his name, a very well-educated person who, among other things, was noted for his library. He had an enormous personal library. He read voraciously, a philosopher as well as a bureaucrat. I would either give him names or letters or whatever, and sooner or

later, he would tell me about this, and I would report it on back to Washington and presumably either Charlie or somebody else would pass on whatever information we got, and this is the way it was handled.

Q: Did it work out successfully? Were certain cases dealt with in a way that was satisfactory to the original letter writer?

Miklos: I think so. I know in some cases, the allegations turned out not to be correct at all, talked about somebody being killed or in prison or something like that, it turned out he was perfectly fine, prospering, whatever. That wasn't always the case. In some cases, they would say, "Well, this person was tried in the court on these charges and found guilty, and they've been sentenced. The evidence showed that they had done this." We'd report that back, too. So it just depended.

What I am saying, though, is that this system, while not satisfactory from everybody's point of view, addressed to some extent the concerns and, again, to some extent the legitimate concerns, not necessarily just anti-Shah concerns, but I mean legitimate concerns of whoever was involved, which was an improvement over before, when they didn't have any information. They'd write to the Iranian Government and nothing happened; it just disappeared into a black hole.

Q: The criticisms that were made in the Senate and House among

some political leaders, did they have much of an impact on the relationship with the Shah under Ford, before Carter comes in? Were there complaints made about these criticisms.

Q: Iranians were very sensitive about this, and we got a lot of heat from the Iranian side, you know, "Why are these demonstrations going on? Don't you people have any control over anything?" Or, "Why are all these complaints, unfair or unjust complaints, being made that are simply being provoked by anti-Shah people of one sort or another?" So it was an irritant. I don't think it altered fundamentally anything particularly, although, again, whenever something that required congressional approval, say, a sale, a military sale or something like that, there was always this issue that had to be dealt with one way or another, or criticism dealt with one way or another in the sense that, "Yes, steps are being taken. Yes, we are making efforts," etc. But the Iranians saw this, basically, in many cases as very unfair, unjustified, uncalled for.

Q: I got the impression that some Iranians, or maybe the Shah himself, believed that the U.S. was somehow manipulating the student opposition in the United States as a way to put pressure on the Shah's oil policies or other kinds of domestic reform policies. Were these kind of charges made to you?

Miklos: No. I can't recall any specific example, but you know

that part of the Iranian scene to this very day is the great myth of the "hidden hand," and everything can be accounted for if you look deeply enough and see the conspiracy, there is a conspiracy there. Before, it was the British, and then over the years, the United States took the British place, and to this very day, I'm sure there are hundreds, if not thousands, of Iranians who believe--I mean really believe--that the United States is responsible for the overthrow of the Shah, and that we had manipulated this somehow. And so it's all part of that general mythology that they have about the hidden hand.

Q: Did the U.S. policy toward students change over the years into pretty much a "leave them along" policy, as it had been, I guess, generally earlier?

Miklos: I'm not sure that we had a policy, per se. There were hundreds, thousands of them coming into the United States, and they were giving fits to a lot of college administrators here in the United States, either because they were not qualified, in their point of view, or they were a bunch of trouble-makers, which they didn't need, and particularly in the Sixties and Seventies, we had our own problems on the campus, and we didn't need any outside help from the Iranians.

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Q: The Iranian Government complained about student demonstrations. Whenever the Shah visited and there were demonstrations, there were complaints from the Iranian diplomats, the ambassador.

Miklos: Very bitter complaints.

Q: Did the response that you made, did that change in any way over the years? I think you talked about this the last time.

Miklos: I may well have. It's certainly something that I remember quite acutely, because the foreign minister would take it up with me or some other senior official, so it was obviously something they considered important. They would express puzzlement and bewilderment as to why we couldn't understand their point of view and we weren't doing something about it. We'd have to try and explain how the United States worked and what public opinion was and how the media operated. I'm not sure we ever really understood that ourselves fully, but anyhow, that was--

Q: Not long before the time that Jimmy Carter was elected President, the Shah inaugurated what some historians call a partial liberalization policy. He did not decrease his own power in the country, but he released some political prisoners, he loosened up censorship to some extent in the mid-Seventies, he

began to institute procedural reforms in the penal code, among others. How did you analyze this partial liberalization? Was it something that you could see at the time as sort of a change in his tack?

Miklos: I never would have characterized it as a change in the sense of a break with the past. I view it more along the continuum of what he was trying to do to the country, both economically and socially, and politically, if you will. This was a part of the whole, and this is why I would have disagreements with some of my own officers who had not been in Iran or had the experience that I'd had, or at least the association with Iran over a longer period of time. So I was trying to get them to view it in the context.

What I'm saying is this did not come as a surprise that he would do this or move in this direction, and it wasn't necessarily because the United States said, "You ought to do this." This was something internally that his own advisors and he himself thought was the thing that ought to be done. We assume that not only in Iran, but around the world, we make all kinds of things happen. In many cases, it's not the United States at all. We're not the center of the universe to a lot of people. [Laughter]

Q: It's been argued that the Shah was taking these steps in the mid-Seventies, that he was thinking more about this succession