

situation, because of his own commercial interests. But he was one of the more knowledgeable Americans about Iran at that time, and certainly was not above using his influence to promote whatever commercial interest he was involved in, but I would expect that. What else is new?

Q: To what extent did balance of payment considerations influence allocation of credit by the U.S. government?

Eliot: This was part of the economic review. In fact, not only allocation of resources, allocation in general, but allocation of foreign exchange resources. And what kind of foreign exchange resources were needed for development, what kind were needed for defense. Again, this became increasingly hypothetical as the oil revenues went up, and after 1973 it became totally hypothetical.

Q: In terms of--I'd like to know--U.S. sales, I guess, what I really meant--having a positive influence on the U.S. balance of payments.

Eliot: Oh, the U.S. balance of payments.

Q: Yes. Right--U.S. exports--

Eliot: Oh, no, I didn't understand what you were saying. I don't recall that that had any real influence on us. We did have--in the early 1960s, we had some balance of payment problems, obviously. But I don't recall in this period--in the late 1960s--that that was a

major consideration in our policy determinations.

Q: You mentioned earlier Henry Kuss as one person involved in the arms sales question. Was he a key Pentagon official in terms of making arms sales--

Eliot: He was the man in the Pentagon in charge of the military credit sales program, and he was an extremely effective human being, and developed very good relations with the Iranians, including on the economic side of the Iranian government. Our only problem with Henry sitting out in the embassy or later in the State Department was keeping track of what he was doing. He was moving so fast. But I think, by and large we kept him under as much control as we could. And if I recall correctly, sometime in the late 1960s or maybe it was when the Nixon administration came in, Henry disappeared from the scene. Or that scene, at any rate.

Q: Now, this is another issue that came up during 1963-1965. I guess during those years, Senator John McClellan chaired hearings on charges by an exiled tribal leader named Khaibar Khan--this person charged that the Shah's family had diverted foreign aid funds to overseas bank accounts. Do you remember this controversy?

Eliot: No, I saw in the notes you gave me that you wanted to ask me about Khaibar Khan, and I draw a complete blank on that. I don't have any recollection. You'll probably discover in the archives that I wrote papers on it, but I have no recollection of it.

Q: This was over twenty years ago.

Eliot: Yes.

Q: That's quite all right. Now in 1965, Armin Meyer became ambassador, replacing Julius Holmes. How would you characterize his approach to his position as ambassador?

Eliot: Well, I think the situation had changed. The Shah was more self-confident, more sure of what he was doing, and Washington, as the Johnson administration had come into office, was also less interested in telling the Shah how to run his own show. So the scene was very different when Armin Meyer got there. And I think Armin's principle contribution on the matters we have been discussing was to make sure that the policy process ran smoothly, that the embassy and he in particular was in charge of the situation, and that when he decided that a request from the Shah should be fulfilled, that the wheels moved smoothly back in Washington, and the policy process met the need. I think he was very effective. Armin Meyer is a very effective operator. His relationship with the Shah was very different from that of Julius Holmes. He and the Shah, I guess, were closer in age; he didn't have the sort of fatherly mien or even grandfatherly mien that Julius Holmes had; he didn't have quite the same

sophisticated personal finesse. And I think even if our policy had been to try and push the Shah in this way or another, Meyer would not have been effective in that as Holmes would have been. Meyer really

had to deal, though, with quite a different Shah from what Holmes was faced with.

Q: Now I have a question about Phillips Talbot and the Shah. Now here is a quote from a letter from Kim Roosevelt to General Timberlake at Northrop Corporation. In this letter Kermit Roosevelt says: "The Shah has a very low opinion of Phillips Talbot and said coolly that 'fortunately, Iran was sufficiently strong and able to stand on its own feet, so that it need not worry about such incidents in Iranian-American relations such as are caused by people like Talbot.'"

Eliot: I--

Q: I've got to say this one more thing. "I did not see him after this meeting with Rusk, but the Foreign Minister, who was present during the whole meeting, told me that the Shah was considerably encouraged by Rusk's much tougher attitude on Nasser." This might have had an Egyptian aspect to it. The thing about Talbot I'm not sure, but--

Eliot: I don't know. But I think the Shah, probably--and I'm speculating a bit here--lumped Talbot together with Komer and Hansen and the bunch of people around President Kennedy who he thought were going to try and tell him how to run his show, as compared to Holmes and Rusk, and later of course, Lyndon Johnson, who in his view were more realistic in their policies.

Q: I should have said this is from April 1965, a little bit later after those debates.

Eliot: My guess is the Shah still associated Talbot with that period in the Kennedy regime, where he felt that the administration was trying to lean too hard on him. But that's just speculation.

Q: Were there any incidents, or policies toward Nasser that might have had some reverberations on Iran? Any Egyptian-U.S. relations that might have impacted on the Shah's--

Eliot: Well, the Shah never looked with favor on anybody who overthrew a king. And I think the kind of radicalism that Nasser espoused bothered the Shah a lot. But what the precise incident was, I don't know.

Q: Okay. Now in June 1965, the Shah visited the Soviet Union and accepted a Soviet offer to construct a steel mill in Tehran in exchange for payment of natural gas. A Steel for gas exchange, basically. Did the Shah discuss this plan with embassy officials in advance of his visit? Was there any forewarning made?

Eliot: I don't know. My guess is, it would have been uncharacteristic of him to do that, because he wouldn't want to put himself in a position where the United States would tell him ahead of time that he shouldn't do something of that kind.

Q: Did this action caused much concern in the embassy?

Eliot: We had a lot of questions about it, both technical and political. The technical was whether that kind of steel mill was something the Iranians really needed, and how a barter arrangement on gas would really work, and then of course we had some concern about the number of Russians who would suddenly be working and living and Isfahan, and what that would mean in terms of potential Soviet subversion. But I think we rolled with that punch pretty easily. I don't think we regarded that as a real threat in terms of Soviet aggrandizement in Iran.

Q: Now I guess during the following year there was the controversy over the F-4 which you mentioned a few minutes ago.

Eliot: The Shah liked to show us that he had a Soviet card to play. But I think realistically, very few people at the policy process in Washington took that kind of threat seriously. We all knew that the Shah regarded the Soviet Union as the only nation in the world that threatened Iran's viability, or independence. So in the final analysis, none of us ever thought he would jump into bed with the Soviet Union. Of course, he never did.

Q: Apparently, part of the controversy was that he complained that the F-4 prices were too high--that he could get things cheaper. Did the U.S. drop the price at the end?

Eliot: No, I don't recall what the final terms were. But I do know that we sent Hoopes over, and there was a long debate in Washington, and we made a pretty hard headed decision that it was in our interest to proceed. But I don't remember the terms.

Q: Did President Johnson get involved in this decision?

Eliot: I'm sure he did. I'm sure he did. I think somebody at that point--it may have been [Nicholas] Katzenbach, who became undersecretary of state in that period--once said to me that if any of these issues involving Iran reach President Johnson, he'll come out in favor of the Shah. I think this was generally the case. Usually I was arguing on the side, obviously supporting Armin Meyer's position, which was generally: "Let's support the Shah." There were some conditions put on that support from time to time, but basically we were being very supportive. And I knew if I got to the White House, I was going to win a bureaucratic battle. I don't recall losing any in that period. We had some pretty knock down, drag out fights with A.I.D. on some of the things we hoped they were doing, or not doing, and I don't recall losing any major battle with any other part of the bureaucracy in that period.

Q: Who were the bureaucratic opponents of the sale of the F-4s?

Eliot: The people in A.I.D. who were influential in those days, who raised all the questions you would expect them to raise: I think

Bill Macomber was the assistant administrator for NESAs [Near Eastern South Asian] and John Funari was the sort of desk officer. They're both still around. And there really wasn't much other opposition that I can recall around the bureaucracy. A.I.D. was the center of it.

Q: Apparently during the same discussion the Shah was sort of chafing at the annual review program that was in effect; he was trying to find ways to escape its restrictions. Were there any modifications made during the late 1960s in this approach or this program?

Eliot: I don't recall in my tenure any fundamental changes. Those came after my watch, after 1969. And I'm not saying that in the sense of criticizing the people who came after me, because the conditions changed with the rise in oil revenues.

Q: I guess in the following year--in January 1967--there was another Soviet-Iran deal again involving the barter of natural gas for Soviet military vehicles. This was announced in early 1967, apparently, in January 1967. Again, did this agreement cause any particular concern at the State Department?

Eliot: I think we had some concern about the Russians getting involved in the supply of military equipment, and we watched that very carefully. And in that period, again, up through 1969, my recollection is it was mostly trucks and maybe some anti-aircraft



guns and pretty unsophisticated--maybe some armored personnel carriers, they may have gotten into that kind of vehicle. But they didn't get into sophisticated aircraft or tanks or major items of equipment. In the end, we didn't really lose much sleep over it.

Q: Are there--

Eliot: I think the Shah hoped we'd lose some sleep over it, but that's one of the reasons we didn't lose sleep over it.

Q: I see. Now during the summer 1966 controversy over the F-4, I guess you became Country Director. Sometime in that period.

Eliot: Yes. I cut short my home leave and so forth because this had become a major item and they wanted me to rush back and take charge of the desk. And it must have been May or June 1966 that I did that. And that was my first major, major crisis, if you will, as Country Director.

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

Q: Now as Country Director, what were your basic responsibilities?

Eliot: Well, this was a new system, this country director system, instituted by the Johnson administration. And basically, what we country directors were supposed to do was to coordinate American policy towards our countries across the board. And I would have regular meetings--sort of the Washington-Iran country team would meet

as the ambassador's country team would meet in Tehran. And I'd have representatives of the other agencies involved in Iranian affairs in Washington come to my office and we would discuss the situation, and what questions lay before us and what positions we had to get from our superiors, and so forth and so on. And I thought it was a very effective mechanism. It required people at my level in the State Department to really take a leadership role and play a leadership role. In the case of Iran, as I say, I had top level support for the policies the embassy was espousing and that I was supporting, so I didn't have too many problems in running it. Other country directors had different problems.

Q: Who were the influential people in Washington, in the executive agencies, who participated in making decisions on Iran? People in other agencies, who were involved in these things.

Eliot: Well, over in Defense it was largely the people either in ISA [International Security Affairs] or in the military credit thing--Henry Kuss in the military credit thing and ISA, Tim Hoopes. I think Joe Jordan, Amos Jordan was involved in this period. He is now at CSIS [Center for Strategic and International Studies] Georgetown; in fact, he runs CSIS Georgetown. Over in the White House it was Howard Wriggins, who's now at Columbia, and Hal Saunders, who is at American Enterprise Institute. In AID, I've mentioned Macomber and Funari--I may have forgotten some of the people in AID. I didn't have very many problems with Treasury or Commerce, with the economic side of the government. Oh, there was a

very interesting guy, very helpful man in the Ex-Im Bank named William Welk. He was an old timer in the Ex-Im Bank, I don't even know whether he's still alive. He'd be quite elderly if he is. But he certainly was a key figure in that period. And then at the State Department the chain of command was Rockwell, who was by then deputy assistant secretary, my direct superior, and then the assistant secretary, who in that period was Raymond Hare, a long time pro. And then it became Parker Hart, Pete Hart, and then it became--I may have the order wrong here--it must have been Luke Battle, Raymond Hare, Pete Hart, but those were the three. There was sort of a musical chairs in the assistant secretary--

Q: Lucius Battle?

Eliot: Lucius Battle, and Ray Hare, and Pete Hart, were all involved in that period. And then when the Nixon administration came in it was Joe Sisco. But I left and went to the seventh floor at about that same period. Then further on, occasionally the deputy undersecretary for political affairs would get involved. And that was first Charles E. Bohlen, and then U. Alexis Johnson. But for some reason or other, the under secretary for economic affairs, Eugene Rostow, who's still at Yale, kept getting involved in things Iranian. He had a great interest in Iran. But he also was very, very much in favor of our policy supporting the Shah. Then it went up to Dean Rusk. The under secretary, Katzenbach or whoever it was, essentially didn't play much of a role. Those were the key players.

Q: Was Averell Harriman ever involved in--

Eliot: Oh, yes. Oh, yes, Harriman was involved. I guess in the Johnson administration, in that period, he was ambassador at large, or counselor. He wasn't in the chain of command. But, yes, I once flew out to Iran with Harriman. The date I will not resurrect. And actually I really bummed a ride on the plane, but I briefed him on the way out. He was out to see the Shah, but he was actually out to dedicate--this is how you can find out what the date was otherwise -- he was out to help dedicate the Tarbala Dam in Pakistan. But Harriman was certainly close, very close to the Shah and had his confidence, and vice versa. And the Johnson administration used him from time to time with the Shah. Now the Shah came to Washington, I think, while I was country director maybe three times. And Hoveida came once. So we had--those visits occupied a tremendous amount of my time, preparing for them. And they were always very successful. I remember after dinner once at the White House, after a state dinner for the Shah, seeing L.B.J. and the Shah disappear into the garden arm in arm. They were very, very, different men, but they saw the world through very similar eyes. And there was a real rapport there, which made my job really terribly easy.

Q: Perhaps we'll talk about that later on. Who was--in the CIA was there was anyone in particular that worked on Iran during those years, the late 1960s?

Eliot: That's a good question. Certainly, I had a lot of liaison

with them on analytical questions, and the same thing was true of INR [Bureau of Intelligence and Research], the research part of the state department. I'd have to think about who the people were that I was dealing with. And certainly with INR--you asked me earlier whether there was any opposition to our policy towards Iran, and there was some in INR. There was a man named Archie Bolster, who used to give me quite a hard time occasionally on the basis that we were overly supportive of the Shah and that this would in due course lead to all kinds of problems. Archie stuck to his guns very well, and history proved him to be right. It's always just a question of how long it takes history to work its way. But I don't recall similar warnings coming out of CIA in that period. I think INR in the department, in addition to AID, were the principal critics of our policy.

Q: I read somewhere that someone in INR did do a study in 1965 or 1966. That may well have been the person who did it.

Eliot: May have been Archie Bolster. He'd be another person who should be in this oral interview if you have time.

Q: I think he's on the list. What kind of analyses did the CIA people prepare for the State Department or other executive agencies generally? Did they do in-depth political studies, or--

Eliot: Yes, they do--I've forgotten what they call the reports, but we got regular reporting. Of course, the agency, as you know, had its own interest in Iran, in terms of some of the facilities aimed at

the Soviet Union. The importance of this aspect of our relations should not be underestimated, because those facilities were of enormous importance to the United States. And often when we came to key policy decisions--should we or should we not support the Shah--part of the rationale for supporting him was he's giving us these facilities. Of course, the Shah and we saw eye to eye on the fundamental Soviet threat. But there was an aspect sometimes of payment for those facilities, particularly in our military assistance program.

Q: How involved was Rusk in Iran?

Eliot: Very much involved. Yes. Of course, he was involved whenever the Shah came. He had been into Tehran. I can't remember, in that period, how often he, himself, went to Tehran. But he was very much involved, and really was a decisive player often in policy decisions. And I would take the Iranian ambassador to see him quite often, so he kept himself well informed.

Q: He had an interest in the question?

Eliot: Oh, no question. Dean Rusk was very much involved. Absolutely no question about that. I mean Iran was, as it is today--some Americans sometimes forget this--Iran is an enormously important country. And you can't be Secretary of State without spending some of your time thinking about Iran.

Q: Okay. Who were some of the Iranian officials that you dealt with in Washington?

Eliot: Well, the key one while I was country director was the ambassador, Houshang Ansari. His predecessor was a man named, Khosrovani? Yes, [Khosro] Khosrovani.

Q: How do you spell that?

Eliot: K-h-o-s-r-o-v-a-n-i; pretty sure I'm right. Getting confused now between Khalatbari and Khosrovani.

Q: I can always look it up.

Eliot: Yes. His predecessor was an old school diplomat, whose principal worry was how to write letters to the New York Times when the New York Times would print something derogatory about the Shah. That was covering his ass back in Tehran. But Ansari, among other things, stopped that attitude right away. He said, "My job is to go talk to the editors of the New York Times myself and tell them why I think they're wrong." And he was very effective. He had very sharp elbows. He was a very pushy character, not a very pleasant person to deal with. But he was enormously effective. First really effective Iranian ambassador in terms of getting out around Washington and trying to make friends and influence people.

Q: Did he have much influence back in Tehran? Did you have a sense

he was an influential figure in his own right back there?

Eliot: Oh, I think he was. I think the Shah respected him--the Shah appointed him. And I think he felt that he was the kind of person Americans would be able to communicate easily with. I had regular one-on-one lunches with Ansari, where he would tell me his problems and I would tell him my problems about current policy issues. But I wasn't the only person he'd have one-on-one lunches with. I think he realized the country director was a key player, but by far not the only player. He'd do that with people at the Defense Department, and Senators, and other people. He really did know how to work Washington.

Q: I forget to ask this earlier, did you pick up Farsi?

Eliot: Well, I studied Farsi. I must say that when I was in Iran, except when I traveled in the boonies, I didn't really have much occasion to use it, because particularly on the economic-financial side, Iranians knew English. I used it some. I didn't really become proficient in the language until I went to Afghanistan in the 1970s.

Q: I have some questions about petroleum issues. There were some tensions, apparently, in relationships with the Shah during the late 1960s--1967, 1968--those years. How would you define, from what you could tell, the Shah's basic objectives in terms of petroleum policy?

Eliot: Money!



Q: Oh. .

Eliot: He just wanted more money. [laughter] And any way he could squeeze the oil companies he would squeeze them, and he would use whatever kinds of pressure he could use: direct, indirect, threats, God knows what else. Of course, once OPEC came along he had some solidarity with the other major oil producers in the Gulf. But one oil company executive at that time was, in a way, my mentor in teaching me about the politics of oil in that part of the world--a fellow who's still around here in San Francisco: George Ballou, then with Standard Oil of California.

Q: George--what was his last name?

Eliot: George Ballou. And there are a lot of interesting characters in the oil business who knew the Shah very well, of course. He told me, "The name of the game out here is: give a little today to live tomorrow." And the oil companies were, I think, very effective in giving just barely enough to live tomorrow, and everything went fine, of course, until 1973, when the whole thing blew up. We were also involved in issues in those days having to do with the exploitation of those parts of Iran that were not under control of the consortium. And this largely had to do with resources out in the Gulf offshore. And there were some very interesting problems in how you demarcate the lines there as between Iran and the Arab states on the other side of the Gulf. Armin Meyer did some very, very useful work,

particularly with respect to the demarcation line between the Saudis and the Iranians. And a number of new players came in, such as Standard of Indiana, in that period, which hadn't been involved with oil exploration and exploitation in Iran before. Yes, the oil picture was always hopping, and, of course, Hoveida himself was associated at one point with the National Iranian Oil Company, and Egbal was a major figure in the oil company, and the Shah paid just as much attention to oil as I think he paid to military equipment. That was his financial lifeblood.

Q: Did the oil companies come to the State Department from time to time complaining about the Shah's pressure on them to produced more revenues?

Eliot: Well, there wasn't so much complaining as consulting with us on how to handle him and telling us how they were going to handle him. And it's a whole interesting chapter there which I was never really involved in and don't remember the details, how do you deal with anti-trust provisions, and the waiver given the major consortium players from anti-trust provisions so they could really act as a consortium. But this continued to be high politics, of course, right up to the fall of the Shah.

Q: How far was the Department willing to go on their behalf in terms of--if they wanted assistance to protect their interests from the Shah, how far would the State Department go in heeding their requests for assistance, when they wanted aid?

Eliot: Well, we were really in the middle. Because sometimes we were saying to them, "Gee, can't you be a little more helpful to the Shah? He's got some real problems, and a few more dollars might help solve those problems." On the other hand we also recognized these were American companies, and part of our job was to help them protect their interests. So by and large, I think, the State Department was really in a diplomatic middle position on many of these petroleum issues. And they were tough issues for both sides. Our main interest was maintaining the American presence in the oil industry in Iran, which till all things started falling apart in the 1970s, I think happened. And the consortium--I've forgotten when its organization finally occurred, but it lasted for quite a while.

Q: 1972, 1973. Something like that.

Eliot: Yes.

Q: Aside from this man named Ballou you mentioned, who were some of the other major corporate officials that--

Eliot: Well, George Piercy, who I think was Exxon; Howard Page I think was also Exxon; I can't remember beside Ballou who was--a major player here was Standard of California. Page and Piercy are the two names that I really remember as being spokesmen for the consortium. And Ballou was never a C.E.O of a petroleum company--he was the man behind the scenes.

Q: I've got some specific questions about these issues, and maybe you can answer some of them--we'll see what happens. In the spring of 1966 the Shah began to press the Consortium for more revenue. He wanted to increase production so he'd get more revenue, basically. There was some apprehension that the Shah might take "rash action"--that was a quote that was used in some memo--might take rash action to get the companies to cooperate. What kind of threats did he make, or did he make threats about what he might do?

Eliot: I don't, on those specific issues, recall the details anymore. I do recall, yes, that he was making threats, and they had to do with a whole variety of issues, including what territory he'd allow the consortium to continue to operate in, and things of that kind. But I couldn't pin specific threats to specific dates.

Q: Now one aspect of this whole issue was something that was called "the Aggregate Program Quantity System" [APQ]. That was a consortium frame to control production from Iran, to prevent over-production and falling prices. Did you know about that system?

Eliot: Well, I know I knew about it and the APQ system, and it all comes back. But boy! You'd have to ask Ed McGinnis or one of the oil boys to recall the details. That kind of thing wasn't my--I guess when I was Country Director in 1966-1969 I had to know a lot more about it than I did in that period. I'll tell you another person who may know about it. That's Jim Akins, who was later our ambassador to

Saudi Arabia, but in a lot of this period, when I was Country Director, he was running the oil part of the State Department in the Economic Bureau. And he was really the expert on oil. I was more involved in the political-financial policy aspect.

Q: During some of the meetings over oil issues, one person--I guess [George] Parkhurst of Standard Oil--he suggested that the Hickenlooper Amendment be brought into the situation to give the U.S. leverage in the sense of the U.S. would threaten to cut out grant aid, or credits altogether if the Shah made any further demands upon the corporations. Was this ever discussed seriously?

Eliot: I don't recall. I wouldn't be surprised if it had been: both sides were capable of making threats! As I say, we were in the middle. We were trying to keep the peace, and had our eye on the essential ball, which was to maintain the Shah's revenue flow while at the same time maintaining the position of the oil companies in Iran and protecting them as American commercial enterprises. The British, of course, were involved in this too. BP [British Petroleum] had the major share in the consortium. So it wasn't just, to put it mildly, an American show. So our petroleum attache, McGinnis or whoever it was, was closely in touch with his counterpart in the British embassy.

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Q: Did you work with the British also on these issues from time to time--you personally?

Eliot: Not too much, because it was handled by the petroleum fellow. But certainly when I was country director I continued to see a lot of the British, and the British interests in Iran were very similar to ours, and their record of experience was much longer. And the British ambassador at that time, Dennis Wright, became a very close friend of mine. And at one point the country director for Saudi Arabia, Bill Brewer, and I went on a mission to London to discuss with the British the withdrawal of the British from the Gulf, which I guess was consummated in 1971. In the early stages of that, when I was Country Director, we were involved. And there was a real question as to whether we'd be choosing up sides between the Saudis and the Iranians. Obviously, none of us wanted to choose up sides. But those of us who were working on the Iranian side of the Gulf wanted to make sure that our policy makers realized that Iran was just as important a country as Saudi Arabia.

Q: Did you make any trips to Tehran during this period to work on the petroleum issues?

Eliot: Not petroleum issues per se; I made at least two or three trips to Iran when I was Country Director to work on issues across the board, and to mess around the country to see what was going on, and so forth and so on.

Q: In June 1967, during the Egypt-Israel war, apparently the Shah did not participate in the Arab--there was a temporary Arab boycott of oil to the Western powers. Did he closely coordinate this policy

with the U.S., do you recall?

Eliot: Well, you know--the Shah always had this special relationship with Israel, and he would never, as we talked about before--he always looked with a jaundiced eye on the radical Arabs. Again, I don't remember the details of our conversations with him. In those days, Gene Rostow was very much involved at that time, and that's certainly something you should ask him about.

Q: Okay.

[end of interview one]

OB

Interviewee: Theodore L. Eliot

Date: July 30, 1986

Interviewer: William Burr

Place: San Francisco

Interview # 2

Q: The second session of the interview with Theodore L. Eliot took place on July 30th, 1986.

I have two sort of broad oil-type questions before we go on to the question of the Shah's visit in the late 1960s. Was there any concern that OPEC countries might successfully organize and force the oil corporations to make concessions to them? Was there any concern about the power of OPEC or possible power of OPEC in the late 60s?

Eliot: Well, I'll confess to you I've forgotten exactly when OPEC came into being--

Q: 1961, I think.

Eliot: And there were issues like the expensing of royalties and so forth and so on, most of the details of which I've forgotten. And I think certainly into the late 1960s, there was a feeling that the oil companies would have to give a little bit today and a little bit more tomorrow in order to maintain their longer term position. But I think there was also a feeling that OPEC was not sufficiently united, it didn't have sufficient leverage on the oil companies to really create a major upheaval in the industry.



Q: Now you also mentioned yesterday that the Shah's basic purpose in terms of oil was to get more revenue. Did you ever get a sense that he wanted that revenue for weapons purchases? Did he ever give you that sense--what it would go for?

Eliot: Oh, his goals I think were, yes indeed, reflected in his military program but also in his civilian, in his development program. One of our policy objectives was to convince him that he should not go overboard on the military side.

Q: Okay. Now, in August of 1967, the Shah paid a visit to Washington. Do you recall much about the visit?

Eliot: I'm not going to help much on the specifics of one visit or another. If I were sitting here with the agendas of those visits in front of me, I might remember more. I do remember, for example, on one of his visits he gave a speech on the eighth floor of the State Department to a large group of American businessmen, and I remember being very impressed with the way he sold Iran to the American business community; very effective. And of course these visits while LBJ was President--their relationship was so good that it was always a very pleasant and very happy visit. But I don't recall the details.

Q: What kind of preparations did you have to make for these types of visits?

Eliot: Oh, an enormous amount of work was involved. First of all, on the substantive side--making sure that the American officials--the President, the Secretary of State, usually the Vice President was involved--would be given written briefs on the various substantive issues. And then an enormous amount of work on the logistics, although the protocol office of the State Department was also involved in that. If there were any problems, the Iranian ambassador would be on my telephone very rapidly. So this required--each of these visits required an enormous amount of time. I know he came in August 1967. June 1968 was another visit. And I can't remember whether I was involved in one after that. I don't know why I remember three Shah's visits while I was Country Director.

Q: I'm not sure about that.

Eliot: And then Hoveida came in, I believe, December 1968, at the tail end of the Johnson administration.

Q: He was the Foreign Minister?

Eliot: No, he was the Prime Minister--Amir Abbas Hoveida. Just a couple of vignettes which I think were kind of interesting: In June 1968 the Shah came among other things to get an honorary degree at Harvard University. And this was a very difficult period: the Vietnam War, and the Shah was not exactly a popular fellow in the student body in Cambridge. And nobody in Harvard can remember before

or since the kind of security that surrounded the Shah there, with people on the rooftops and so forth and so on. He tried to make some kind of flashy major new international proposal, remembering that George Marshall announced the Marshall Plan at a Harvard commencement. It didn't go over very well; in fact, it has been so thoroughly forgotten that I can't even remember what it was. But there was also a bit of a pall over the occasion, because Bobby Kennedy had just been shot, and so it was a difficult occasion. There were some demonstrations against him, but they didn't amount to very much. And one of the amusing vignettes is--well, in the course of making preparations for this meeting, that very pushy Iranian ambassador, Houshang Ansari, went up and went into the home of President [Nathan] Pusey of Harvard, which was on the campus, the president's house, to look at the arrangements for the Shah--in terms of what bedroom he'd be in and so forth and so on--and announced to the Puseys that the Shah would sleep in the Puseys' own bedroom, please, because that was obviously the best bedroom in the house. [laughter] And that's just an illustration of the kind of fellow Ansari was, and the kind of regime it was--that Ansari would feel he had to do that in order to please his master.

The Hoveida visit--I remember one element in it which I haven't read anywhere, and somebody would have to go back into the records of the conversations to get the precise figures. But Hoveida suggested--mind you, this is December 1968, long before the oil crisis of 1973--that the United States buy oil from Iran at the then prevailing price which was two dollars, or whatever it was a barrel, and put it in salt mines in the United States as a strategic reserve.

And when you think of how much money we would have saved had we done that at that time? He suggested this to Secretary Rusk, who responded that that was pretty complicated, it would take Congressional authorization, and so forth and so on. And the idea was, as far as I know, never followed up on.

Q: He wanted to make it like a long-term contract, basically?

Eliot: He wanted a long-term contract, which would of course boost their oil revenues, so it was in their interest. But Hoveida was trying to persuade us that it was also in our interest to have a strategic oil reserve, and of course he was right, but we weren't listening in 1968.

Q: I saw one declassified document having to do with one of these visits that listed various topics of conversation with Iranian officials: what topics to avoid, what topics to emphasize. Topics to avoid were like: freedom of the press, party politics, praising any one individual Iranian other than the Shah. What kind of problems were involved in these kinds of visits? Did that present a different kind of problem?

Eliot: Well, I think on the latter point, praising individual Iranians, there was a feeling, it certainly would have been my feeling at the time, that if we had said, "Mr. X was a fine fellow", the Shah would make a little mental note: "Oh, Mr. X is in the Americans' stable." And that would quite possibly prejudice the Shah

against Mr. X. Not because the Shah didn't enjoy or want very close relations with the United States, but because he wanted to be absolutely sure that first loyalty was to him.

Now, as far as conversations about the internal political situation in Iran is concerned: obviously this was always a sensitive question with the Shah, and it goes back to the efforts in the Kennedy administration to put pressure on him. And if I recall correctly, our main thrust was not so much to suggest new things to the Shah, but to encourage him to move in the reformist direction that he seemed already to be wanting to move in. And at least into the late 1960s, he was bringing into his government people who were interested in reform in the economic and social fields. So it looked to us, certainly as late as 1969, that basically things were moving in a good direction in Iran, even though of course, there weren't political parties and free elections and things of that kind, but at least the people in charge knew what they were doing and had a long term view. All of that changed in the 70s.

Q: Now you mentioned that when the Shah visited Harvard there were anti-Shah demonstrations. Were these demonstrations, these were by Iranian students and so forth?

Eliot: Well, I don't know that they were at Harvard necessarily Iranian students; of course, a lot of American students looked upon him as the dictator he was, too. And also they were just attacking anybody who was a friend of the Johnson administration, which was sending American boys to Vietnam.

Q: In terms of the Iranians who were in the U.S. who were involved in anti-Shah political activities overseas--did this create any diplomatic problems between the U.S. and the Shah?

Eliot: Well, it did. I remember one or two of his visits, certainly. And I've just remembered what the third visit was. The third visit is, he came back for a Presidential funeral. By then it was the Nixon administration, but I was still country director. Must have been Truman.

Q: Or Eisenhower, maybe?

Eliot: Or Eisenhower. Let me just say something about that, because it has suddenly come back to me. I was assigned--he came in, I think, to Friendship Airport in Baltimore, and then was helicoptered into what was then the Naval Observatory up in Massachusetts Avenue. It's now where the Vice President has his home. And I was assigned to go out and be the official welcomer. And I'll never forget the Shah stepping off that helicopter in full military uniform, with medals and banners and God knows what else, dripping from his chest, and thinking to myself: "My God, this guy is beginning to go over the bounds of megalomania and self-importance." Which, of course, is always the first step in the direction of the collapse of the dictator. He looked like a comic-strip character as he stepped off that helicopter. And I remember that really bothering me, and yet I had to balance it against the good things that seemed to be going on

in Iran at that time.

Now there were some Iranian student demonstrations in that period. Houshang Ansari I think handled them a lot better than his predecessor did. He tended to get into conversations with some of the leaders of these groups, and try and talk to them about their country, and where he thought it was going, and why he thought their views were extreme. But it was just beginning to build up momentum, which, of course, became a major feature of the American scene as the Khomeini revolution got its momentum.

Q: Okay. Now, in late 1967--you mentioned this briefly yesterday. The British announced their decision to begin phasing out their military presence in the Persian Gulf. Did they give the State Department much forewarning about this?

Eliot: Yes, I think we knew--again, I don't remember the exact dates, but I think they consulted with us at length, because obviously we had a shared interest in the strategic and petroleum aspects of the Gulf region. So we had lots of discussions with them: in the Gulf region, among ambassadors and embassy staffs, and in London, and in Washington.

Q: How much concern did this decision cause the U.S.?

Eliot: Well, I think it caused a great deal of concern, because we didn't know what would fill this power vacuum in the general sense, and we didn't know what arrangements the British would be able to

work out in the various emirates along the Gulf which they were involved with. And then there were some specific issues, like Bahrein, which the Iranians had a claim to. In due course, as you know, the United Arab Emirates got sorted out, and the Bahrein issue eventually went away. And American policy focused in on a security system in the Gulf which would be maintained by the two major Gulf powers: Saudi Arabia and Iran, "the two pillar policy." And I think by the time the British actually withdrew, arrangements were in pretty good shape and some of these median line problems have been sorted out. And the Iranians grabbed Abu Musa and the Tumb Islands [Greater and Lesser], which created a little flap, but there wasn't much the Arabs could really do about it. And the situation, I think, by the mid 1970s had sorted itself out into a reasonably amicable relationship--as reasonably amicable as any relationship between Arabs and Iranians could be. I mean, they are two different cultures with lots of problems and historical animosities.

Q: Was there any effort made to persuade the British to maybe postpone their withdrawal, or phase out gradually, or something like that?

Eliot: Again, my memory isn't good enough. I'm sure there were, I'm sure; but I'm also certain the British had made a firm decision for the usual budgetary reasons.

Q: Balance of payments. What kind of feelings did Iranian officials have about this decision? Did they consult with you about their



stance toward the British decision?

Eliot: Again, I don't recall any specifics. My general impression, looking back, is that the Iranians would have thought this was a welcome departure of an imperialist power, and after all, it's the Persian Gulf. And what are the British doing there anyway? The Shah's main international strategic concern was the Soviet Union, and he would lecture us on the weakness of the Arab states, including Saudi Arabia, and the possibilities which he saw existing for Soviet intrusion into the Arabian peninsula. That sort of thing worried him. But I think he felt, you know, he and Iran could take care of the basic security problems in that region.

Q: He was not really sold on the "two-pillar policy" himself? He thought more in terms of one pillar?

Eliot: I think so, yes. I think he always felt Saudi Arabia was a little and weak country. As for those sheikhdoms, I mean, they're-- [laughter] It's interesting how history has turned out, though, isn't it?

Q: Now, on the June 1968 visit--these might be details that escaped you, but there was apparently a request by the Shah for a very large credit arrangement, something like five hundred or six hundred million dollars in credits to be dispensed annually, one hundred million dollars a year. He wanted to raise the credit levels that had been allocated earlier in the 1960s. Do you recall anything

about the details of those negotiations or the thrust of them?

Eliot: No. Now that you've mentioned the figure, it rings a bell with me, but I don't recall the details. But that would also have been standard operating procedure. He always wanted more. And our job was to try and put those figures into two contexts: One is, exactly what kind of military equipment do you need? What is the threat, and what are the kinds of equipment--equipment and training, and what have you--needed to meet that threat in the military sense? And secondly, are you balancing your allocation of resources between development and security? That debate was never ending. At times he would come in with major requests, try and put public pressure on us. Othertimes it would be handled through more confidential channels. But it was a constant, constant pressure from him for more.

Q: This came after the British decision. Would that have had some bearing on his desire to expand the credit ceiling?

Eliot: Oh, I think it would have been one of the rationales he would have used--that he was facing an increased threat because of the weakness and instability of the Arabian peninsula states.

Q: Now, you mentioned your impressions of the Shah at the end of the decade. You mentioned the 1969 visit, your impressions of him. Did you make visits to Iran during the late 1960s? Periodically? I think you mentioned something about this yesterday.

Eliot: I probably went two or three times. The last time I remember going there as Country Director was when Secretary [William] Rogers went there in probably April 1969. I was still Country Director, and I flew to Afghanistan. And Rogers was going Islamabad, Kabul, Tehran, and I joined his party in Kabul, and flew with him and briefed him on the airplane between Kabul and Tehran. And I participated in his meeting with the Shah in Tehran. It was not a long visit, if I remember correctly, but that was the last visit I made as Country Director.

Q: Did his meeting with the Shah have any particular significance--a get acquainted typed meeting, or--

Eliot: It was the first--I mean, the Shah never let an opportunity go by to give you his Weltangschauung and also ask for more aid of various kinds. I don't remember any specific, major new items on the agenda.

Q: In terms of your visits to the country in the late 1960s, 1969, what kind of a sense of things, what were your impressions of Iran at this time, compared with the early 1960s?

Eliot: Well, my impression was of a country that was very dynamic, very much on the move. And the pace of economic development; the pushing forward, not only industrially but agriculturally; turning around in their balance of payments situation; the way Iran was going out for credit in the money markets of the world; the trained people

who were coming back from studying in Western Europe and the United States and participating in senior levels--it was a very exciting prospect, and a very encouraging prospect. And I remember in fact--this was after I was in Afghanistan as ambassador--traveling, it must have been, by this time it must be 1974 or 1975--traveling on an Iranair plane between Frankfurt and Tehran on my way back to Kabul with Reza Amin who had been number two in the Industrial Mining and Development Bank, and then set up what was known as--he became the first head of the Arya Mehr Technological Institute, which was the Shah's M.I.T., or that's what it was supposed to turn into. And Reza had been educated as a nuclear engineer here at Berkeley. And Reza and I were discussing, you know--the two countries, we said to each other, that it's really fun to be living in and playing a role in the twentieth century in Iran and the United States. We really both felt Iran was an exciting, dynamic, forward-moving country.

Now there were, of course, as the 1970s proceeded--there were increasing signs of disquiet. And I don't know whether you want to get to those now, but there was a watershed in there, around 1973, 1974, 1975, and obviously neither the Shah nor most Americans realized at the time that there was a major change occurring.

Q: Before we get to that, in terms of the late 1960s, feelings of concern about instability that prevailed in the early 1960s, they pretty much faded away?

Eliot: Pretty much faded away. The country looked very stable, and largely because the pie was getting larger and more people were

sharing it.

Q: This was pretty much a consensus opinion in the administration and among experts on Iran?

Eliot: Oh, yes. Well, there were a few, you know--there were a few people, both Americans and Iranians, who believed that the dictatorial nature of the regime contained the seeds of its own eventual destruction. But it was pretty hard to convince most Americans and most Iranians that the regime was about to fall.

Q: I have a few questions about the early Nixon administration, since you were country director in the first six or seven months. During the first months of that administration, did you see any shift in policy toward the Shah in Iran, or was it--

Eliot: No, I think there was real continuity between the Nixon and Johnson administrations. The two-pillar policy was very much in place when Nixon took over, and Nixon had known the Shah very well: he'd visited him many times--visited with him--both in Washington and Tehran, when he was Vice President, then when he was out of office during the Kennedy and Johnson period. Nixon knew and liked the Shah very much. And Spiro Agnew got along with him, too, for whatever that may portend. And he really had the same kind of relationship with Nixon that he had with Johnson. In some ways maybe an even stronger relationship, because I think the Shah respected Nixon's international experience, which of course Nixon had in greater

measure than LBJ.

Q: During the summer of 1969--that might be a little late, but Nixon made a speech at Guam where he announced--it was called the Nixon Doctrine. To what extent was his policy toward Iran shaping up along the lines of that approach?

Eliot: Why, I think very much so. I moved to the executive secretary position just about the time of that speech. And what I felt at the time--that was just up the Shah's alley, that's exactly what the Shah wanted to hear from an American president: that countries like Iran, under his leadership, would be expected to carry the burden. That also put the Shah in a very good position to say: "Now, here's what I need to carry that burden."

Q: Okay. Now, in the early Nixon administration, who were some of the key decision makers on Iran issues, like other agencies, or the NSC, or--do you remember any names of particular people, or agencies, or whatever?

Eliot: Well, in the State Department Joe Sisco was the Assistant Secretary, and he and Jack Miklos who succeeded me were the key players. In the Defense Department there was a guy named Warren Nutter, who was assistant secretary for ISA, and Nutter did get involved in some of these Iranian matters. But basically, the policy was set by a Nixon-Kissinger [Henry] team in the White House that wanted to support the Shah.

Q: Do you know who on the NSC staff was involved on the Iran issues? Was it Harold Saunders? Was he the person?

Eliot: I guess Hal was still over there, yes. But it was like the Johnson administration there. Nobody at a senior level was playing devil's advocate.

Q: Okay. Now, did the shift in power with Kissinger in the White House, have any particular impact on the shaping of policy, or maybe any effect on the State Department's role in Iran?

Eliot: Well, it had an impact on the State Department's role across the board. In this case it didn't matter quite so much because I think the State Department and the White House were on the same wavelength. There's another player in there, too, who became increasingly important in these years, and that's Richard Helms. Because the CIA had always had a very, very close relationship--we've discussed some of that earlier--with the Shah, with Iran. So the Shah knew Helms, and Helms knew the Shah very, very well. And I think Helms played a role as director of the CIA which would have reinforced the predilection that already existed with Nixon and Kissinger, to support the Shah.

Q: You mentioned a few minutes ago--from 1969 through 1973, you served as Special Assistant to Secretary Rogers?

Eliot: Well, I was the Executive Secretary of the State Department, and Special Assistant Secretary goes with that title. And basically, the way to look at my job--I was the chief of staff of the State Department.

Q: You reviewed policy in all areas?

Eliot: I ran the information network, alert system, for the office of the Secretary of State, and in his absence, the Deputy Secretary, and I was the liaison between the seventh floor--the executive floor of the State Department--and the White House. Most of my dealings with the White House were with Al Haig, who was deputy to Kissinger at that time.

Q: During this period, do you recall any particular Iran issues that came up, or was it just routine?

Eliot: Again, of course there were issues, particularly in the military assistance field, and as you know--this is well documented elsewhere--I was not particularly involved in the decision process. As you know, Nixon and Kissinger virtually gave the Shah a blank check. But again, I don't recall--there might have been some at lower levels--but at senior levels, I don't recall any devil's advocates. I don't recall Rogers, [Melvin] Laird, Nutter, Helms, Sisco, Kissinger--anybody saying: "Are we overdoing it?"

Q: Okay. What was your next assignment after this?