

necessarily corruption in the given atmosphere.

So that, yes, there were companies back in the sixties and seventies who used well-known intermediaries, some of them members of the royal family and some of them not, all of them close to the throne, to help get projects and contracts through.

It was reasonably well known that Abdol-Fath Mahvi, for instance, was one of the premier ten or twenty or whatever percentage it was. Court Minister Alam's [Asadollah] daughters tried to play the game as well. My good friend, [Abul Mehdi] K. Kashfi was another one, who was pretty good at it. There were-- I won't say-- there were rather a large number of them with various degrees of entree into various portals. Now some of them were in the palace, some of them were in the Ministry of War, some of them were in the Ministry of Water and Power. It varied, depending on what the contract was.

That is not to say, however, that there was real venality. These were--I know, viewed in retrospect and viewed from the American point of view, sure, it's corrupt, it's bad business, it's uneconomic, it's all of these nasty things, but it was the way business was done. Now, as we imposed over years our notions of public morality on other countries, including Iran, they took steps to try to comply with what they viewed as our requirements, but those requirements only apply to American businessmen. They didn't cover the French and the Germans and the Japanese and the British, with the result that we got left behind in many cases. Except in those areas where we either had something that nobody

else had or, as in the military, the Shah, for political and other purposes, was equipping his military with American military equipment.

Q: But in other areas you think there was a disadvantage?

Lehfelddt: Oh, absolutely. Absolutely. Lead pipe cinch.

Q: I assume that intermediaries were necessary?

Lehfelddt: They were. Just as a statement of fact, they were necessary.

Q: But payoffs would be another question entirely though, wouldn't they?

Lehfelddt: What's a payoff? If you're going to pay a fifty per cent commission, yes, that's a payoff. But if it's a five per cent commission, even if it's on a hundred million dollar deal-- although companies as General Electric, for a hundred million dollar sale, the percentage of the commission is concomitantly reduced, but it still came out to maybe two million dollars, two and a half million dollars, which is a lot of money.

Q: The two per cent, did that happen quite a bit that you know of, that kind of a--

Lehfeldt: Well, for General Electric that percentage was-- you know, they could pay as much as twelve per cent, but that's on small stuff. But when you got into a power project, a hundred million dollars or whatever it was, two per cent was a lot.

Now in some of these other companies-- and I'm colored now by my latter-day experiences-- certainly many of the non-American companies doing business were not as careful in the percentages as some of the American companies, and thereby there was absolutely no way you could edge them out of a project, if they were there with both feet. Because they bought the information, no matter how careful you were. So they managed to underbid you by a slight amount.

Q: Were any classes of U.S. firms more likely or thought it more necessary to rely upon, say, using payoffs to make sales than other kinds of firms? Were smaller firms more vulnerable perhaps than large corporations like GE?

Lehfeldt: Well, you know, in large corporations what would pass for a large payoff in a small corporation was loose change in a way. For small corporations doing small business, the percentages were higher, but it was simply reflected in the sales price if it happened to be a consumer good.

Now, if you were in a joint venture, you could handle your problems by several ways. By dealing a percentage of

participation with real investment, but-- and maybe to a member of the royal family. But there was no notion by the royal family member, in some of the cases that I can recall, that they were going to take part in management. They were simply going to collect some profits and so on.

Now there were some Iranian businessmen-- one notable one, Haji Tajhi Mohammad Barkhordar, who probably had the largest single fortune in Iran before the revolution-- that is, outside the royal family-- was very proud that he never had a member of the royal family as a partner in any of his businesses. He had maybe two hundred companies. He was a very important businessman.

Others felt compelled-- felt no constraints, I guess, in accepting members of the royal family, through usual cutoffs, as members of the joint venture. And there were some areas of business-- for instance, the importing of chickens-- that were sort of handed over to hangers-on of the royal family. Madame Diba, the Empress's mother, was one of the biggest dealers-- she didn't do it herself-- in the importing of frozen and chilled chickens into Iran for many years. One friend of ours decided it was a pretty good business and he started to try to import, and he ran into more difficulties. He had more Customs problems. He had trucking problems. He had distribution problems. He had breakdowns in his cold storage. And finally someone wised him up. This was Madame Diba's terrain he was trampling on.

Q: I think, from time to time, the Shah had sort of crackdowns on companies that relied upon payoffs and so forth to make sales. So that became notorious. There was a Grumman case and a Lockheed case.

Lehfeltdt: Now wait a minute. Lockheed, there was no payoff.

Q: No, no, Northrup, I mean. I'm sorry.

Lehfeltdt: Lockheed, my good friend, Jim ZSand, kept them from any trouble.

Q: I meant Northrup. But I get that name mixed up sometimes.

Lehfeltdt: But Northrup was not on airplanes. It was on Page Communications, a national telecommunications system.

Q: Now what are the things that the Embassy could do that would help these companies out? Did they come to the Embassy for help?

Lehfeltdt: I didn't know about that. We always suspected, because Prince Shahram, Ashraf's son, was part of their coterie, and so we always suspected that he had been the intermediary for helping Tom Jones get the project. But it wasn't until it all

came out later--

Q: '76 I guess it was it came out. '75 or '76?

Lehfeltdt: No, it came out before then, because the vice-president of Northrup, Jeff Kitchen, had to leave before then. I had dinner with him last night, as a matter of fact. And he got a golden handshake from Northrup, but he had to take the rap.

But again, looked at in retrospect, and we overlay our moral puritanism on top of it, it made it all look wrong, because they wanted to make it look wrong. A group of-- and I may have told you this last time-- a group of young Iranian friends of the Prime Minister-- he would get them together in a dohreh every month or so, and they were made up of-- some of them the young technocrats I was talking about, some of them representatives of very powerful families.

Q: Was this Hoveyda [Prime Minister]?

Lehfeltdt: Hoveyda, right. There were eight or ten of them. They would get together for lunch or drinks or whatever. And at one point, because the Shah was on this anti-corruption kick, they put together and started collecting-- and for six months or so put together dossiers of cases of corruption that they knew about and could document to some degree. And it became-- as I am told, I never saw it myself-- a rather sizable piece of work.

And they delivered it up to the Shah and he looked over it and he said, "My God, if I have to get rid of all of these people, I will have no one left to run the economy." With that, they took it all out and burned it, I'm told.

Now I know it happened. Whether it happened in exactly those terms, I'm not sure.

Q: The Rashidian brothers? Were they ever involved as representatives?

Lehfeldt: Well, Rashidians-- yes, he ran something called-- I was trying to think of his name. There were three of them, but one of them in particular-- ran something called the Distributors Credit Bank, which funded all the taxis in town, the taxi cooperatives. And, of course, the Rashidians were instrumental in the '53 riots, and they went back a long ways with the British Intelligence Service. Yes, they were widely rumored to be involved, but they went broke. Or one of them did, as I recall.

Q: You mean involved with company representatives or intermediaries?

Lehfeldt: Yes, but he never represented the big ones. I went over there, to their house, shortly after I arrived, and General Griswold, I guess, who was head of the International Bank of Washington-- still is, as a matter of fact-- was their guest, and

he was thinking of buying into the Distributors Credit Bank. It didn't get through the Central Bank. It didn't warrant approval, because the Distributors Credit Bank was in such perilous condition.

Q: Recently I saw a letter that would be classified, by Douglas Heck to Jack Miklos, November '72, and he mentions the sale by Bell of Texas to the helicopter industry, a sale of helicopters to Iran, and he goes on to say that this was beginning to-- this was a boon to Bell Helicopter, to Bell of Texas, and to various influential people on the Washington scene. Perhaps we can get an Iran lobby going. Was there any talk about an Iran lobby?

Lehfeltdt: I think there was, sure. Of course, this was in the early days, November of '72, before real money started coming in.

Lehfeltdt: I see why you've mentioned Dave Alne. Fascinating. I never saw this letter.

Yes, at the time we-- I understand what his direction was. We were always concerned that the Shah was getting bad press at home. And he did. And, of course, he brought it on himself, because 1972, as I recall, was about the time when the twenty-five hundredth-- we were getting close to the twenty-five hundredth anniversary celebration. Or did we just have it?

Q: I think it was in '71.

Lehfelddt: '71. Well, we just had it.

Q: The fall of '71.

Lehfelddt: Yes, that's right. It was the fall of '71. And he got a lot of bad press. Spending millions and millions of dollars down in the middle of the desert for something that no Iranian was going to see. And so on down the line.

By that time President Nixon had pretty much decided that Iran was going to be our strong ally in the Middle East and we were going to rely on them to keep the peace, with the British having moved out, and the Nixon Doctrine, so-called-- I've forgotten whether it had been enunciated just before that or just after that, but about that time.

Q: Actually that was back in '69 in Guam. [?] Guam and articulated the idea.

Lehfelddt: Yes. We would provide them with the arms, but they would do our dirty work for us. Or whatever you call it. And we had chosen the Shah as our instrument. So we had the need for trying to see whether we could get better press for him. They spent a lot of money on it, but without much real--

Q: Who's they?

Lehfeltdt: The Iranian government.

Q: Trying to influence the U. S. press generally?

Lehfeltdt: Yes. They had some P.R. advisers. I've forgotten who they were at the time.

Q: U.S. P.R. firms?

Lehfeltdt: Yes. Some of the Bobby Grays of the time.

Q: This same letter also mentions something called Operation Enhance Plus, which I hadn't heard of before.

Lehfeltdt: That was a military--

Q: I'm sure it was, but--

Lehfeltdt: I was not involved.

Q: ?

Lehfeltdt: You're going to see [?]?

Q: Yes. After tomorrow afternoon.

Now when you were at the Embassy, you drew up contracts with the local U.S. Chamber of Commerce? They had an organization there?

Lehfeldt: Well, I was instrumental in getting them started.

Q: When you were at the Embassy?

Lehfeldt: Yes. Sure.

Q: What is the story behind that?

Lehfeldt: Well-- you know-- the story behind it, let me see. We had the American Businessmen's Association or something or other.

I've forgotten exactly what it was called. And it met sporadically. But we felt the need to find a way to help influence the Iranian authorities on issues that were helpful to American business being more active in Iran. And the dates get all jumbled up, but with the big conference that Jim Linen led in--

Q: Oh, the Rockefeller-- ?

Lehfeldt: The Rockefeller Conference. When was that?

Q: 1970? Linen was with TIME-LIFE?

Lehfeltdt: He was with TIME-LIFE, but he was retired by then. He was spending his time setting up this sort of thing.

We tried to establish a chapter of the American Chambers of Commerce abroad in Iran. We succeeded somewhere along about this time. Because somewhere along about this time also Henry Kissinger hit on the idea of a joint U. S.-- whatever it was-- Economic Council.

Q: Commission.

Lehfeltdt: Commission, yes. And we wanted to have a role in the U.S.-Iran Business Council, which was usually associated with these commissions. And so we got the Chamber established finally, with the help of John Caldwell, who was the Vice-President and Director of International Affairs for the U.S. Chamber. And we created the U.S.-Iran Chamber of Commerce. I, as the Embassy economic wallah, was an honorary member or ex officio member, and I was as instrumental in getting that going as anybody. I kept pushing and hosting these people and so forth and so on.

Q: This was in '71 or '72?

Lehfeltdt: Yes, something in that order. And the Chamber grew by

leaps and bounds. Of course we had Iranian members as well, representing American firms or doing business in the United States. Plenty of them represented American firms. And we had Iranians on the board. We had people like Rahim Irvani and Ahmed Ladjevardi and-- oh, I don't know, a couple of others. And we had periodic meetings with the Ambassador, and it was a useful P.R. and maybe even an informational thing.

On the other side, it gave our Iranian associates a method for getting news critical of policy through to Iranian authorities without the Iranian businessman having to take the onus for being critical of the government.

Q: In terms of policies that had impact on American investment and trade?

Lehfelddt: Yes. And their own ease in doing business. And as days went by and as the wild days of the later seventies came along, they were more and more critical of their government's policies.

Q: Which we'll get to later on. Who was the president, the first president, of the Chamber?

Lehfelddt: The first president was John Formel.

Q: Of which company?

Lehfelddt: Goodrich. He was out of Chicago. He is not retired and is caretaker for a golf course, among other things at this point.

Q: But the members of the Chamber would meet from time to time with the Ambassador?

Lehfelddt: Oh, yes. Not the whole membership, but we had monthly luncheons and the Board of Directors would meet with the Ambassador. This is a practice followed all over the world in some form or another.

Q: And they'd meet with Iranian government officials also?

Lehfelddt: On occasion, yes. Especially with the Minister of Commerce and the Minister of Economy. Sometimes the Minister of Finance. Jamshid Amuzergar liked to meet with people like that.

Q: Why was that?

Lehfelddt: I don't know. He just had a taste for it.

Q: After oil prices started skyrocketing in late '73, arms purchases began to expand at a pretty phenomenal rate in the following couple years.

Lehfeltdt: Yes.

Q: Did anybody in the Embassy or Washington sit down and try to think through the cost implications of massive arms transfers to Iran?

Lehfeltdt: Yes, a lot of people did. The view at the time in the Embassy-- and, of course, I left in the summer of '74, so I can't speak for much beyond that time.

END OF SIDE 1, TAPE 1; BEGINNING OF SIDE 2, TAPE 1

Lehfeltdt: But clearly the Shah had the bit in his teeth. I'll carry on exactly where I left off, I hope. And he was bound and determined he was going to get whatever he wanted. And I will say this. I've talked about this with Ambassador Helms afterwards, in the vein that while he and I can be faulted for not cautioning the Shah to go a little more slowly, and he said, "Bill, there was absolutely no way you could have hung on to his coat-tails. He was flying high. There was no way you could tell him it was going to be bad for them."

And certain it is that when I came back to Iran in late '75, the atmosphere and the general euphoria that was present then was so vastly different from the first years of my stay in Iran, where you were making use of everything. By '74, when I

left, it was just absolutely No Holds Barred. The sky was the limit. We had money for everything. If we needed more money, we just raised the oil prices and the world would pay, and so on down the line. Of course, they know better now, but--

Q: Given the fact that Nixon had more or less decided to give the Shah a free entree into the American market, would there have been any kind of business that had even looked closely at the questions, the implications of the policy?

Lehfeldt: Well, surely there were people who were concerned about this, seriously concerned about it. But their objections were overridden all the time. You know, just putting it back in context of '73 and '74, the administration at the time was so heavily burned by Watergate and the Agnew episode that it's a wonder they paid much attention to Iran and its arms purchases at all, except just to sign the authorization. Which is essentially what happened almost, although I have to give General Brett and some of the others their due. They tried. They may not have tried hard enough, and there was no way they would have been successful, in any case.

Everybody was coming through with something to sell and everybody was buying. That was the trouble.

Q: Do you remember some of the names of some of the officials at the Embassy or the State Department, who were sort of concerned

about the economic implications, or who cautioned-- ?

Lehfeltdt: Well, Henry Precht was certainly one of them. And John Rousr.

Q: This was the early seventies?

Lehfeltdt: Yes, in the seventies. After '74 I can't really say who was concerned about it. We all were. And certainly the American business community was, to a degree. To the degree that those who weren't representing American military equipment manufacturers.

Q: But they were very commercial? So the commercial men were more sensitive to the problem?

Lehfeltdt: Yes. Yes. Because it was detracting from their abilities to do sensible business.

Q: Did you get the sense at all, first-hand or from what you've heard in the rumor-mill, that people like Henry Kissinger might have been concerned about the implications of the decision? In retrospect.

Lehfeltdt: No. I've never really had the feeling that Henry Kissinger understood the implications of this, the economic

implications of that political decision. Indeed-- well, again, however, George Schultz was the Secretary of the Treasury at the time. I remember when the President came out-- in May of '72, was it, after going to--

Q: To the Summit.

Lehfeldt: After the Summit. Schultz was there. Volcker [Paul] was there. You know, all the economic wallahs were there. And if there was concern expressed and if there was any real effort to put that concern into concrete action, it certainly wasn't then.

Q: Now were you in Tehran when-- besides the May '72 visit-- when you were in Tehran as an Embassy official, can you recall there were occasions when Kissinger visited Iran?

Lehfeldt: I was trying to think when Kissinger visited. I don't recall that Kissinger had any independent visits apart from the President, did he?

Q: I'm not sure.

Lehfeldt: I don't think he did. We had John Irwin through on the oil negotiations. Eliot Richardson came through at one point. But I don't remember Kissinger--

Q: Besides the May '72?

Lehfelddt: Besides the May '72.

Q: There might have been one after you had left. I think there was in the fall of '74.

Lehfelddt: There may well have been.

Q: With the oil crisis issue coming up.

Now what issue did the Shah and Kissinger agree upon at the May '72 meeting? There was a question of CIA covert aid to the kurds, who were operating against the government of Iraq in '72 and the following couple of years. How much about that operation did you know at the time?

Lehfelddt: Nothing. That was later on. Absolutely nothing at the time. Everything I know I sort of picked up.

Q: Subsequently?

Lehfelddt: Subsequently. No, that sort of thing was not vouchsafed to us mere mortals. Even though oftentimes during that period I was serving as DCM [Deputy Chief of Mission], but I was still carefully circumscribed from much of the sensitive

operation. As I should have been. I had no need to know about that. I knew about a number of other things, but that was neither here nor there.

Q: Now, through the sixties and seventies the CIA and the National Security Agency had listening posts that were stationed in northern Iran, so they could monitor Soviet missile tests and such. I guess they went back to the sixties, early sixties perhaps. Maybe even earlier, I'm not sure. Maybe the fifties.

Lehfelddt: But the real technological breakthrough was later on.

Q: Was the existence of these listening posts pretty much general knowledge at the Embassy?

Lehfelddt: Pretty much, yes. Indeed we had a listening sort of antenna there at the Embassy. It wasn't just for our own-- we had our own little bubble in the back yard.

Q: What was that for? Just for communications or what?

Lehfelddt: Well, for communications, and I suspect-- I never really knew, but I suspect it was for more than just our communications. I don't know that that was true.