

Q: Just a surmise, yes. Now did the existence of these posts give the Shah much leverage with the U.S., the fact that the U.S. seemed to need them for its [crosstalk] ?

Lehfeldt: As I understand it, it was as much a source of titillation to him as it was a source of real intelligence importance to us, because we shared stuff with him that we got from there. Whether we shared all of it, I don't know. I had no reason to know. But the Chief of Station found it easier oft-times to see the Shah than the American Ambassador sometimes.

Q: I somehow had the feeling that maybe these stations gave the Shah some leverage in terms of, you have these stations here, therefore you can't push us too much about oil prices-- that's pushing it too far?

Lehfeldt: Yes, I wouldn't push that very far, because it was mutual. A mutual need and a mutual desire and mutual benefit. That's my view of it. Other people may have other views.

Q: Were these mostly [?] major CIA intelligence operations in Iran at this time?

Lehfeldt: As I understood it at the time and better now, we pretty much limited ourselves to so-called tech-int in the latter days. Technological intelligence rather than real, individual

intelligence. But whether that's literally true, I don't know.

Q: Now, I read that North American Rockwell had a plan for a series of listening posts that were called the IBEX projects.

Lehfeldt: Yes.

Q: That became notorious in the mid-seventies. There was a lot of controversy over it. I guess some Iranians believed they were designed to be a listening post for internal intelligence.

Lehfeldt: That's right. It was internal control rather than external.

Q: Was there much truth to that?

Lehfeldt: I don't know. I really don't know. Again that was a program that I had nothing-- no intimate knowledge of.

Q: I guess the Shah believed that the system was a dud for some reason, that it wouldn't work at all. That's what I read in this book by Anthony Sampson.

Lehfeldt: ?

Q: And he believed the Pentagon had deceived him about the

capabilities of the IBEX program. But you didn't know much about that controversy at all at that time?

Lehfelddt: No.

Q: Now I've read that when Richard Helms was appointed Ambassador, that Tehran became his command center for CIA operations in the Middle East generally. Would this appointment have that kind of significance ?

Lehfelddt: Without going too far into it, I had several agents under MY cover in the Economics Section, and they performed real work for me. And oftentimes they would come and say, well, I'm going to be out of town the next week or ten days, and I never knew where they were going. I knew they were going abroad. But this happened before Helms came and it happened after Helms came. There was no material difference.

Q: That's interesting. Now by the time you were assigned to Iran, the Shah had developed a fairly elaborate internal security system, that pretty effectively, from what I could tell, suppressed overt political dissent in the country to a great extent.

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Lehfelddt: Yes.

Q: It was on many accounts responsible for human rights violations in the country during the seventies and earlier years.

Now to what extent did U.S. policy-makers and officials of the Embassy generally believe that some form of absolutism or royal dictatorship was necessary for Iran at that time?

Lehfeldt: Well, I think again it's in the same class of attitudes as the American attitude towards corruption. You know, you put a different twist on and you look at it differently. You put a different twist on absolutism in the Middle East. Not just the Middle East, but in a lot of other countries. It's been the pattern for thousands of years. The pyramidal system, the guy on top in Iran, has been the way it's operated, if it's operated successfully, since the dawn of time in Iran practically. Where you had a diffusion of power is when it fell apart, and the attempts to change an absolute monarch into a democrat usually failed, and if you look at it from that historical point of view rather than from our own moralistic, democratic point of view, you can see why Iran fell apart in '78 and '79. When you take the pressure off and allow a thousand flowers to bloom, as Mao [Zedong] found out, all you have is a real mare's nest.

And so periodic efforts by the Shah to satisfy his foreign critics on both human rights and democratization questions led to unfortunate experiences, which he and his father before him-- and his Qjar predecessors before him--felt constrained to lop off as they grew.

But the times caught up with him. I remember Khodadad Farmanfarmayan, who was then head of the Plan Organization, told me one day-- I've forgotten who I brought in to see him, Senator Hatfield or someone like that-- but this has stuck in my mind. He says, "You know, talking about-- " I guess I forgot whether this was the Fifth Plan or the Sixth Plan. "At the beginning of the Fifth Plan, maybe fifty per cent of the population was within reach of a radio. By the end of the Fifth Plan, or the Sixth Plan, ninety-nine per cent of the population will be within reach of a radio, and maybe eighty per cent will be within reach of a television." Now put that sort of stream of communication into a great unknowing and unschooled and unlettered and unaware population, at the same time you have other pressures for democratization, you have let loose an awful lot of feelings.

That was one of the things that struck me in 1978, towards the end of the revolution, some of the things that were going out over National Iranian Television I believe were purposely put on to irritate and outrage a very conservative Iranian population of viewers. There was one night in early December, I think it was, or late November, there was a straight Lesbian show in French, dubbed in Persian, with a great deal of nudity, female nudity. And, you know, that couldn't possibly have been just put on for entertainment. I'm sure it was done on purpose, to outrage the population, inflame them against the Shah and his people.

Now what I'm getting to is that-- your original question, was there a lot of sentiment for this matter? You had to have an

understanding of how things operated, and if you wanted to change them, you had to be prepared to live with the consequences of change. And this is what critics of Iran and other countries, including the Somozas, won't accept.

Q: Say when people discuss the role of the SAVAK in Iran at the time, apparently they were charged with torture and so forth.

Lehfelddt: Oh, absolutely.

Q: Was there concern that this might be counter-productive in stabilizing for the long term?

Lehfelddt: Of course. Of course.

Q: Was that discussed?

Lehfelddt: In retrospect-- well, not only in retrospect, but at the time. Even as early as 1960 or '70, you know there was a whole class of the Polytechnique School who were exiled, the graduating class of Polytechnique School, which was relatively elite, because of some things that some of the students had done. These were intelligent, highly educated, sometimes well connected kids, who were overnight turned into opposition. And not just opposition, but smart opposition. I would suspect that if you went through the ranks of the Mujaheden in Iran, you would find a

lot of these guys involved.

The control of the intelligentsia was another area and the attempts to control the Masons allegedly. The widespread rumor was that the Shah was one of the senior Masons, the head of the Masonic Order in Iran.

Q: I never heard that.

Lehfeltdt: Oh, when you dig into Masonry in Iran, you've got another funny sort of-- maybe not funny, tragic in a way, because there were a lot of them who were Masons. Scottish Rite.

Q: Through this period though, when you looked at the political situation generally, how firm a political base, in terms of positive political support, do you think at that time that the Shah enjoyed in the country?

Lehfeltdt: Well, again, put it in the context of the system of government that they were used to. That he was loved was dubious. That he was respected as a strong man, whose will you crossed only at great peril, which was the traditional view of an Emperor, of a Shah, and how the Shah viewed himself, viewed his own role, as being necessary, then-- yes, he was respected. Loved, no. And this was the mistake that Empress Farah made. She thought she was loved, when she was only respected because of the power that she shared or she reflected from her husband.

In the last days, when the earthquake at Tabal took place, in the fall of '78, and the Empress rushed over to comfort the populace, she was reviled. And she retreated in great disarray.

She couldn't understand it. She thought she was loved by everybody, that she was coming there to show her concern.

Q: She believed her own P.R.?

Lehfeldt: Yes. That was symptomatic of the whole disappearance of the aura of power at the top of the pyramid. One friend of mine, who is probably one of the most astute observers of Iran, as well as the American political picture-- (he knows American politics down to the precinct level)-- we used to have periodic discussions about what would happen after the Shah disappeared, and, of course, I always took the position that it depended on how he disappeared. If he were assassinated, then you had one set of circumstances. If he died a natural death, you had another possible set of circumstances.

But my friend posited that-- and it later turned out, I think, pretty much to be the case-- that once you remove the Shah as the center of power, the power that was reflected in all the other people that we viewed as all-powerful, including the head of SAVAK and the Chief of Staff and the Air Force and the Prime Minister and so forth, they wouldn't dare show their faces in the streets. Because they had no power until someone reconfirmed them one way or another. And I think he was right.



That's just the way the system worked. I'm over-simplifying.

Q: When you were in the country in your first phase in the Embassy, did you see much evidence of political problems or political opposition? Was anything visible to you?

Lehfeldt: Very rarely. Very rarely. You would find critical comments in funny places sometimes. All the old Qajar aristocracy would be critical of these upstart Sergeant's kids, but you would rarely find-- and, of course, I didn't move in the religious circles. Practically no one from the Embassy did. There were a few people who tried. Stan Escudero was one.

Q: Was he a political officer? Escudero?

Lehfeldt: Escudero, yes. And John Washburn was another. But I can't think-- and George Cave probably knew more of them than anybody else. But there weren't very many who were both able and willing to try to do it. It was Intelligence that was uncomfortable to some degree, although I know of-- as I told you before, I know of no order to stay away from them.

Q: From the opposition figures?

Lehfeldt: Yes. They preferred we stay away from them.

Q: Among your Iranian friends in those years, did any of them confide in you their own feelings about the Shah and his regime? Were any of them very critical in private?

Lehfeldt: Yes. Yes, they were critical in private. They were critical of the emptiness of the Court and they were critical of the increased protocol that surrounded the Shah and his family, that distanced them from the people and the actuality. But they were not necessarily critical of the system as a whole, because they viewed it from the Iranian point of view as a necessary evil, and what you tried to do was limit the exaggerations of power and limit the excesses of power, not change the system itself.

Q: At our last meeting you said that you left Iran in 1974.

Lehfeldt: Yes.

Q: Where did you go from there?

Lehfeldt: I went to Spain as Consul-General. In Barcelona. Back to Spain, (I'd served in Spain before), I kept getting visits from American businesses to come talk about Iran, because there weren't many people who knew about Iran and the most recent emanations of economic well-being and the money tree that was blooming and so forth and so on. And like as not, when they left

they'd offer me a job. So I finally decided, what the hell. I sorted out the various offers and I picked the one that I liked best, which happened to be General Electric. And so I retired from the Foreign Service and went back to Iran.

Q: What year was this?

Lehfeldt: Late '75. I wrote Dick Helms and told him what I was planning to do. I wouldn't have gone back if he'd said, don't do it. But he said, come ahead, we'd love to see you. So I went back.

Q: So what were your responsibilities for GE?

Lehfeldt: I was Vice-President for the region for General Electric headquartered in Iran, with primary responsibility for sort of being a senior statesman for General Electric in Iran and setting up the office and finding opportunities for investment and for sales and providing a home for those activities that were already ongoing in Iran. We had extensive aircraft engine sales, for instance. GE engines were on the F-5s and on the C-130s and on-- I don't know, on a series of other planes. Some of the helicopters.

Q: Well, in these cases was GE or other corporations producing the entire system? Or did you sell them separately?

Lehfelddt: I don't know whether you know the aircraft business particularly, but engines are an option that the consumer chooses. You can have a Rolls Royce engine or a Pratt & Whitney engine or a GE engine. So the engine manufacturers are out there fighting head on for the contract to supply the engines for one or another of the aircraft.

And when the U. S. Air Force chose an engine for its aircraft, then automatically that engine manufacturer had a leg up. That was only one part of it. We had a lot of other business as well. GE manufactured radar and we had some power generation projects and stations, and a joint venture in the manufacture of refrigerators. We had a license-- this was a joint venture. You know, a joint venture for the manufacture of lighting equipment. That is, street lighting. And so on down the line.

Q: If I'm not mistaken, during the mid-seventies and late seventies there was a discussion on building nuclear power stations in Iran?

Lehfelddt: Yes.

Q: Was GE involved in that?

Lehfelddt: We talked about it, but we never really pursued the

projects, because by 1976 the environmental problems and attacks on the nuclear industry in the United States were such that GE had pulled its horns in a great deal, even though the great nuclear engineer was President in those days. Nuc-u-lear engineer. [Laughs] And we never really were in the fray and competing for the Iranian nuclear program. Westinghouse was fighting harder than anybody and Kraftwerk Union Siemens was actually--

Q: German firm?

Lehfeldt: Yes. And the French. What was their nuclear-- ? I can't remember. They were the ones who were the most active and the most successful, and again it was related to this question of who do you pay?

Q: Did GE have any particular qualms in doing business in Iran during the period you were with it?

Lehfeldt: Only that we were very conservative. We moved very slowly. We were very careful about the partners we worked with, with the result that when the revolution came, we had very little to lose, and I owe my continued longevity with GE to that very fact.

Q: Were there any direct investments by GE in Iran?

Lehfeltdt: Yes. We had direct investment in a refrigerator manufacturing plant with Haji Barkhordar. It's still turning out refrigerators. Without the GE meatball [GE symbol], but it's still turning out refrigerators out in Qazvin. We had a service shop (heavy equipment repair joint venture) that was just getting off the ground, that the revolutionary government took over and used to manufacture-- still is using it-- to manufacture spare parts for its military equipment. And, let's see, we still had the lighting project. There were a number of other things we were pursuing, but, thank goodness, slowly.

Q: Were these very cautious gentlemen on investment decisions?

Lehfeltdt: Yes. Very.

Q: Was this because Iran had this climate or just generally globally?

Lehfeltdt: Generally globally.

Q: Now you were also involved in the Chamber of Commerce?

Lehfeltdt: I was elected to the Board of the Chamber after I returned and then I was later elected president of the Chamber of Commerce. I guess I still am the president of record of the

U.S.-Iran Chamber of Commerce.

Q: ?

Lehfeltdt: No. [laughs]

Q: Who were some of the major figures? As president of the Chamber, did you have any special responsibilities?

Lehfeltdt: To preside at the monthly meetings and talk to people. We would host visiting firemen. Have breakfast, for instance, with Senator Byrd or Senator Long or Senator Jackson and brief them somewhat on the economic situation, and answer whatever questions they might have.

Q: Who were some of the major figures in the Chamber at that time?

Lehfeltdt: The Iranians or the Americans?

Q: I guess both.

Lehfeltdt: Both sides. Well, Tahir Zia'i, who was the head of the Iranian Chamber, was an honorary member of our board. The major Iranian members were the Ladjevardis, Ahmed. Rahim (?) Irvani from Melli Shoe Company, the Melli group, one of the

major industrialists. Haji Barkhordar, I've mentioned him before. James Saghi, who was American, a Kimberly Clark man, Kleenex. Novzoohour papers, Lloyd Bertman, who was one of the oldest and longest American Residents of Iran. He was opposed to the establishment of the Chamber. He did join.

Q: Who was he with?

Lehfelddt: He had a trading company with an Iranian partner by the name of Tonian, and the company was Jupiter Trading Company. They represented a number of firms off and on. Brunswick Bowling, cigarette machine companies and cigarette manufacturing equipment. Chicago Bridge & Iron. There was a whole series of them.

And all the major companies joined. Bell Helicopter, Grumman, General Dynamics, they were all members. Boeing.

Q: The banks, did they join?

Lehfelddt: Banks? By all means, yes.

Q: Were there any special issues that concerned the Chamber?

Lehfelddt: Well, investment issues, and visas into Iran were very difficult sometimes to get. Business visas. We were pushing an investment agreement. Taxation agreement. I guess that was



before, I worked on the civil aviation agreement.

But these were issues that were ongoing. Insurance and re-insurance was a problem. A rather specialized one, but it was a problem. Shipping. Port congestion. That sort of thing.

Q: Did the Embassy help focus the Chamber on some of these issues?

Lehfeldt: Oh, yes. It was hand in glove.

Q: And the government of Iran, was it-- ?

Lehfeldt: Not very responsive.

Q: That was under Hoveyda?

Lehfeldt: Yes. And later, when Jamshid Amuzegar was Prime Minister.

Q: Did you ever meet the Shah at all during this period or earlier?

Lehfeldt: Oh, yes. Well, I met him over-- mostly ceremonially obviously. I think I explained that earlier.

Q: You did, yes.

Lehfeldt: And that was still the case, even as a private citizen. It was ceremonial rather than--

Q: So you really didn't get any impressions at close range?

Lehfeldt: No.

Q: During the period you were with GE and the Chamber, who were some of the Embassy officials that you worked with?

Lehfeldt: Always the Ambassador, whoever that happened to be.

Q: Helms or Sullivan?

Lehfeldt: Helms or Sullivan. And the DCM, who usually-- I mean, most of these were all my old friends, after all. And the Economic Counselor, who was hand-picked by me. Roger Brewin, who succeeded me.

Now with the military, when I went back and after the Carter advent, we were persona non grata to them, because I represented a company that was a military manufacturer, and so we couldn't be seen together anywhere.

Q: Armish-MAAG?

Lehfeldt: Armish-MAAG people. And so it was a little uncomfortable in town.

Q: Was that a legal requirement?

Lehfeldt: There was a "Carterian" dictum and the Embassy enforced it with great fervor for some strange reason. And the military, the Armish-MAAG, was more vigorous about it than anybody else.

Q: What explains that, do you know?

Lehfeldt: Who knows. Who knows. Well, some of it was secrecy. That was during the time when we had a couple of real cowboys, a military movement in Tehran. Colonel-- (Hallock) what was his name? Well, Eric von Morbad.

Q: He was the defense representative?

Lehfeldt: Yes. And Colonel-- what the hell was his name? The Gray Ghost-- (Hallock.)

Q: He was called the Gray Ghost?

Lehfeldt: Not Eric. The other guy was.

Q: Oh, the other person.

Lehfeldt: I knew him when I was Economic Counselor. When I came back, I tried to see him, and he wouldn't even acknowledge my telephone calls. Finally Toufanian bought off his contract at great expense and sent him back to the States. He was James Schlesinger's personal sort of representative.

Q: This is Morbad?

Lehfeldt: Von Morbad and [Hallock].

Q: They worked together?

Lehfeldt: Yes.

Q: Now you mentioned earlier that the U.S.-Iran Joint Economic Commission-- did the Chamber do any work with the Commission at all? How did that work?

Lehfeldt: We were sort of the resource for the Joint Economic Council. It was a sub-group of the Chamber really and your companies joined and paid to become a member of the U.S. section of the Joint Economic Council, Business Council. And so whenever you were having a Joint Economic Commission meeting, the U.S.-Iran Business Council would meet at the same time and there would