

be a little bit of cross-fertilization and it always became a great social occasion, although it didn't last all that long. John Patterson, I think his name was, from the UOP was the head of it at one point.

Q: UOP? Is this a firm?

Lehfeldt: It's a firm. Of the Middle States somewhere. I've forgotten what it was. A pipeline transmission company.

Q: So the commission would sort of facilitate trade, and investment from U.S. to Iran?

Lehfeldt: That's right.

Q: Was it very effective in that way?

Lehfeldt: No. Not really. It provided a certain-- yes, there were certain-- it did accomplish a few things, but not really very much. These things I view as-- although I take part in a lot of them even today, they are more window-dressing than really-- you have to demonstrate to your host government that you're active and interested in their affairs, and that opens doors that wouldn't ordinarily be open perhaps. You meet people.

You get to know them on a social and non-official level that helps later.

Q: Now your second stay in Iran coincided with the growth of opposition to the Shah and the collapse of the monarchy, back in '78, early '79. Now before the revolutionary crisis began in mid-'78 and the following months--

Lehfeldt: Why do you say mid-'78? It started well before that.

Q: Well, actually, I guess, January. January '78. But before 1978 was there-- did you notice any developments that suggested particular difficulties in the country?

Lehfeldt: Oh, sure.

Q: Of very serious difficulties in the country?

Lehfeldt: Oh, yes, indeed. Well, and opposition. After all, Doug MacArthur, they tried to assassinate or kidnap him. And there were other incidents of attempts on Americans. The Rockwell officials were assassinated. And there were a number of other incidents that you can point to.

The attempts after 1975-- after '76, I guess, when-- when Amuzegar come into power?

Q: I think '77.

Lehfeldt: '77. When that wild man, Fereidun Mahdavi, was made Minister of Commerce, he organized all these student groups to go around the bazaars to check on price controls.

Q: That was even before that, I think, perhaps. '75? A lot of pressure. Sort of a mid-70's phenomenon. The Rastakhiz Party?

Lehfeldt: Yes, the Rastakhiz Party.

Q: But it continued into the following year?

Lehfeldt: Yes, it continued in those years. And that was when they started the program of "Rustication," of people who were accused of violating price controls and so forth. One of the Bighanians-- one of those big Jewish families was rusticated down in the desert.

Q: That means exiled?

Lehfeldt: Exiled, yes. And it aroused a great deal of enmity in the bazaar class, and it was palpable. You could hear it. You could feel it. They'd talk about it with people, because it made absolutely no economic sense, what they were trying to do. And I remember one evening going over to dinner at Reza Moghadam's house, who was then running a bank. John Gunter, I guess was his

name, from the IMF was visiting. Khodadad Farmanfarmaiyan was there and Cyrus Sammi, Mehdi Sammi, myself and John, Reza Moghadam, Jalil Shoraka Dr. Amin. There were ten or twelve of us. This was really the economic brain trust of Iran.

And they were talking about the situation and the money the government was wasting on imports, to keep, as one of them put it, Tehran happy. Fresh fruit, fresh chicken, fresh butter, fresh everything, to make sure that the stores were filled with everything they needed, while the agricultural base of the country was still being devastated by a lack of a sensible economic policy. And they were highly critical. But that was within this very small in-group.

Q: So what was your general evaluation of economic conditions when you were back in the country in '75 and '76?

Lehfeldt: Well, when I went back at the end of '75, things had changed so drastically from the time I left, as I indicated, that there was almost no control. There was no discipline. The hotels were jammed with foreigners of all stripes with propositions waving contracts and proposals and so forth and so on. It was a field day for anybody who had any claim to being influential. So money was just flowing all over the place. It made it very difficult for sensible companies, like mine, to try to do something reasonable. Sure, I would go around to see my old friends in government, and I never ever made a proposition to

them that I wouldn't make to you or a Congressman or anybody like that, but more often than not-- I wouldn't say it fell on deaf ears, because it didn't, but there was just no movement.

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

Q: Now I've read descriptions of the Iranian economy at this time, that after '75, when oil prices were skyrocketing, there was an inflationary boom that triggered all kinds of problems. Like shortages, income equality was aggravated. There was overcrowding in the cities, like Tehran. Bottlenecks in the ports, which you mentioned earlier. Now apparently this led to a lot of popular resentment of economic conditions in the country and in the city of Tehran generally. Did you see much evidence of resentment? You mentioned the question of bazaari and their apprehension of the price control issue. Besides that, there was-- ?

Lehfeldt: Besides that, yes, businessmen, industrialists generally found doing business very difficult. Mainly because the port facilities were so badly organized and the transportation system was so over-taxed that getting their supplies in-- and especially if they were in something like housing, construction, that sort of thing-- getting cement supplies, in competition with government, was very difficult indeed.

I was talking to someone the other day. Who the heck was it? Oh, I know. They were involved in building the national tele-communications system, the microwave system. It was a Northrup project, a Northrup Page project. And he was complaining to his friend that, you know, every time he turned around he found his cement being delivered to this housing project that had the Shah's family's protection or involvement. And the guy who was building that says, "No way, I didn't get any of that. [Laughs] Apparently you were just being taken by one of the truck drivers, who was selling it twice."

But, yes, it was very difficult. And government action would solve things on occasion. SAVAK would order a thousand trucks to go down to the port and bring back cement or other supplies that were necessary. There were shiploads of live sheep that would be offloaded in Bandar Shahpur and no one was there to take care of them, and, of course, that was a great hassle. What do you do with fifty thousand sheep overnight? [Laughs]

Q: I think I've also read, I guess in the wake of the Shah's anti-inflation campaign, led by the Rastakhiz Party, that there was a lot of capital flight.

Lehfeldt: Yes. Well, they opened up the-- yes, sure, there was a capital flight.

Q: Was that indication of sort of declining confidence in the

regime or something else?

Lehfeldt: Well, no, it was just that any prudent Iranian or Middle Easterner in that kind of a euphoric situation would automatically toss a few anchors to the windward. Some of them had a lot of money abroad always. Others had enough to take care of themselves. A few I knew refused to do it and ended up on the short end of the stick. They were genuine patriots. They felt our life is here and we're going to keep it here.

Q: Did your Iranian business and economic official friends-- what did they think of the arms purchase program by this point? They had problems with it?

Lehfeldt: Yes, they had problems with it. What are we going to do? What are these guys going to do with them? There was just a great amount of doubt that they could be effectively used and who were they going to use them against. Although they did sort of take a little pride in the Abu Musa operation.

Q: In the Persian Gulf?

Lehfeldt: Yes.

Q: From what I've read, the Rastakhiz Party-- or the Resurgence Party in English-- had two wings. There was a progressive wing,

which I guess was more nationalistic and more supportive of government intervention in the economy.

Lehfeldt: It was all window-dressing. This wasn't really-- people were assigned to the wings. It wasn't because--

Q: There weren't any actual ?

Lehfeldt: There wasn't any real choice, no.

Q: Oh. There was supposed to be a constructive wing, which was more internationalist and more towards economic revolution. That was a totally artificial-- ?

Lehfeldt: Totally artificial, absolutely. That was my understanding of it, and I think if you ask some of the Iranians around here, they'd tell you the same thing.

Q: So these wings are not really reflective of the real views of the participants?

Lehfeldt: No. Well, Jamshid Amuzegar, who was the head of the party, a year or two before had told me, he said, "I have nothing to do with politics. I am not a politician. I will not join any party." And the next thing you knew, there he is heading the damn thing. Because the Shah told him to.



Q: I guess the prices had soared before you actually came back to Tehran. I think it was March of '75?

Lehfeltdt: Yes.

Q: What did you make of it?

Lehfeltdt: Well, I figured it was just more of the same situation. You know, the two parties they'd had before-- I've forgotten the names, they're so memorable-- were artificial as well. I knew Ameri, who was the head of one party (the Mandom), the opposition party. But there was hope, when they had the two parties, that one day the system would grow into real democracy.

But with the advent of the decision to create the Rastakhiz Party with the two wings, you know, all of those hopes were dashed. They all played the game, but it was not a real political movement.

Q: Now you mentioned earlier the Shah's efforts to sort of police-- the Shah's efforts through the Rastakhiz Party to police the bazaar, in terms of price controls and so forth. Did this have an impact on U. S. corporations who were active in Iran, this anti-pleasure [?] campaign? Did it have any impact on corporate operations?

Lehfeldt: I don't think so. No, this was more addressed to those things that affected the average Iranian's daily life. The cheap plastic shoes, the green vegetables, the oranges and things of that sort. Fruits. Chicken.

Q: Just basic consumer--

Lehfeldt: Yes, basic consumer items.

Q: Consumer necessities?

Lehfeldt: Yes.

Q: Around the same year, '75, the Shah also had selected a Law for the Extension of Industrial Property, to require large corporations, Iranian and foreign, to sell forty-nine per cent of their shares to employees. I guess the Shah thought this was a way to head off labor trouble in the future. The same law I guess also restricted foreign participation in joint ventures. They could only hold a small percentage of investment stake in Iran. How did American corporate investors react to these?

Lehfeldt: That law, in effect, was never really applied. It never had a chance. There was a lot of talk about it. This was one of the efforts of the U.S.-Iran Joint Business Council. To try to smoke out of the government how they were going to

implement these decrees, because they were decrees. And the implementation orders, by the time the revolution came along, had never really been put into effect. A lot of companies jumped in and said, sure, here are our shares, we'll give them to the workers and so on. So some of them made shows in handing out certificates, but again it never really became effective.

Q: Do I recall reading somewhere that B.F. Goodrich pulled out of Iran because of one of these laws or something? That they reduced their operations or-- ?

Lehfelddt: Well, B.F. Goodrich was undergoing its own problems at the time and they did pull out, but I don't remember the proximate cause. I think it had more to do with repatriation of profits and capital than anything else.

Q: So their office was ?

Lehfelddt: Yes.

Q: Repatriation of profits could have involved the question of government regulation? In terms of employees.

Lehfelddt: Yes. But when they freed the exchange controls, the question didn't arise.

Q: One last question, then maybe we should break up for the day. In March '76 David Rockefeller and a group of about fifty American bankers-- I think industrialists also-- came to Iran. Came to Tehran to discuss--

Lehfeltdt: Yes. I had Jack Parker, the vice-chairman of GE, there, and John Burlinghame, the senior vice-president for International, was there. And I attended the conference as well.

Q: So this was a delegation designed to discuss investment issues in Iran?

Lehfeltdt: Yes. You know, Bob Abboud and Don Regan and all kinds of cats were on that one.

Q: What motivated this delegation to come to Iran? Was there some kind of concern about the business climate or just an effort to just find a way to--

Lehfeltdt: Just an effort to find a way to-- well, help recycle oil money. To insure the Americans were getting their fair share of Iranian investment money. David Rockefeller always liked to be seen with the other Shahs of the world. And he's a nice fellow. I mean, he really did a first-- let me tell you something about that.

I was instrumental in briefing the delegation before the conference began, and I spent half an hour on the corruption issue, telling them that this was a real problem and getting worse. And so they took it to heart, in a sense, in the sense that Tahir Zia'i and David Rockefeller and I don't know who else got together and discussed the problem and agreed that they would not discuss corruption, they would not mention corruption at all. Well, that was all right. Until the last dinner, when Prime Minister Hoveyda was addressing the assembled magnates and accused all the American businessmen of corrupting the poor Iranians by offering them money, and the Iranians couldn't resist the temptations that we put in their way. So we were the culprits, and, boy, was there a reaction to that one.

Q: Apparently the Rockefeller group was also interested in trying to set up an international money market in Iran at this time.

Lehfeldt: Yes. That was the focus of the discussion, to bring Iran into the international financial world, but my recollection of the general conclusion was that the Iranian system was not developed enough yet to make sense. The stock market was not really functioning in a real way and the banks were not efficient enough. There simply wasn't enough fundament to make it. But the view of the future was that they could get there and this was something that they were trying to bring the

Iranian government and financial world to do over time. I don't think anybody had any illusions when they came that this was going to happen very soon. Least of all the Iranian bankers.

Q: Was the Rockefeller group-- were they concerned about these degrees of share participation and how many joint ventures there were?

Lehfeldd: They wanted to know what it was all about but that was the early days and they really didn't get much illumination is my recollection. You know, it was a fun conference in a way, because I'd never seen so many senior American businessmen together in one place before.

Q: We'll stop for today and then finish up the next time around.

Lehfeldd: Okay. Very good.

[END OF TAPE]

VA

Interviewee: William Lehfeldt

Session #3

Interviewer: William Burke

Washington, D. C.

April 19, 1988

Q: The second part of the interview with William Lehfeldt by William Burke took place in Washington, D. C. on April 19, 1988.

When we last met, we were talking about U. S. business in Iran and some of the arms sales issues and so forth. With the expansion of the arms sales and the growing U. S. business activity in Iran during the mid to late seventies, there came an influx of American nationals--technicians, managers, military advisers and so forth.

Lehfeldt: And other entrepreneurs, who were just looking to get under the money tree.

Q: That's right. Now what issues did this growing U. S. cultural and economic presence raise?

Lehfeldt: Well, you can divide them into a series of things. First there was the pressure on the housing market, which seems kind of silly, but it's also one of the points of complaints by many middle and upper-crust Iranians, that the influx of Americans and other foreigners, who really didn't care how much

they paid for housing, drove the average Iranian out of the rental market and made it almost totally impossible for a young Iranian couple even to hope to either rent or own their own apartment or house, with the result that a lot of young couples started their married lives living with in-laws or family and sometimes under rather crowded and difficult circumstances. So that was one point.

The pressure on public facilities was another one. Automobiles were expensive and hard to come by, and the visibility, the easy visibility, of foreigners driving expensive-- or to the average Iranian, expensive cars, which were either provided for the Americans or the foreigners by their companies, by their governments, was another point of criticism and difference.

Then finally the-- not finally, but one other thing was that the competition for competent Iranian help became very intense, with the result that salaries were driven up very high and the local Iranian companies again could not compete, except those that were tremendously strong, tremendously wealthy, or tremendously corrupt, whichever.

So there were a number of points on the living level. Over time the-- oh, and I know, the education that was provided, educational facilities that were provided for American kids in Iran, were so far superior and so visibly far superior to those provided for Iranian kids that it too became a point of difference.



So that you had it on a whole series of levels and there are other examples. The practice of religion was one problem. Many of the foreigners, Americans principally, who came were-- well, some, at least, were either religious fundamentalists, Seventh Day Adventists, whatever, or Mormons or a whole series of things that were anathema to the religious element in the country.

So putting them all together, you had a mixture that was bound to create widespread dissatisfaction. Balance that on the other side with the efforts of the government to satisfy the needs of the average Iranian by heavy imports of foodstuffs-- fruits, vegetables, chickens, butter, onions, whatever--to make sure that the cities at least were well fed, even if the countryside was neglected, helped to some degree to alleviate the discrepancies that were caused by the heavy influx of foreigners.

The insensitivity of many of the foreigners to local mores and customs was another point of some considerable criticism.

Q: Did those attitudes have sort of a visible impact on the relationship of the Iranians? Did ethnocentric attitudes on the part of Americans, a sort of national chauvinistic attitude, have a problem?

Lehfeldt: I don't think it was necessarily the chauvinistic attitude. It was just simply insensitivity. The selection process by some of the companies, of the technicians and other people they assigned out there, was simply not very thorough.

They almost just went out in the street and grabbed people and sent them over and hoped that they would work. Now in some cases they didn't. Bell Helicopter had a number of cases of people who showed up down in Isfahan, stayed less than twenty-four hours and went home, because they were simply not prepared for what they found down there. So, you know, it was kind of difficult for everybody.

Q: Did the Chamber of Commerce work on these issues?

Lehfeldt: We tried to work on these issues. We tried to brief companies as they came out. Our executive directors over the time--Frank Burroughs and his predecessor, whose name escapes me right off-hand--used to brief people, and Frank, of course, was fluent in Persian and married to an Iranian and quite sensitive to the needs of the average Iranian. I think he did a superb job in trying, at least, to influence people to do the right thing.

But it was a-- there were those-- if I might divide the companies into those who tried harder and those who didn't, those who were allied with the military, i.e. military suppliers, military equipment suppliers, were the least effective in their personnel selection and the most demanding in terms of creature comforts and the hardest thereby to satisfy and the ones who caused the most difficulty. By and large. That's a generalization, but I think it's substantially true.

Q: You suggested that the problem of housing, the role of our educational institutions in Iran, among other things sort of tended to lead to criticisms of Americans in general. Did you see visible evidence or implicit anti-Americanism during the period when you were-- ?

Lehfeldt: Oh, sure. Oh, indeed. My wife and I and the family used to travel-- at least we attempted to travel extensively, and always during the Noruz period, we did take trips out into the boonies. Some of our favorite trips were going down through Kashan to Nain, Natanz, Yazd, Kerman and so on, and getting off into the mountain villages alongside.

One specific instance we went up to-- oh, my word-- outside of Kashan there is in the mountains a village where they harvest rose petals to make attara roses. It's well known. I can't remember the name right off-hand. But it was converted to Islam as late as 1935 by Shah Reza, by the bastinado pretty much. At least that's the story we got. There were some villages of that sort. They had previously been Zoroastrian.

At any rate, we were wandering through the village and some little children came up to us and started talking to us and reflected their teachings from the mullahs, which were that "you Christian, you no good; me Muslim, me good," in their medieval English. A medieval modicum of English. They did know some English, believe it or not. But the attitudes that they displayed were symptomatic, I think, of what came later.

Q: It's been argued that to some extent Iranian anti-Americanism was partly stimulated by the role that the Eisenhower administration played in restoring the power of the Shah in 1953.

Lehfeldt: Well, let's back up just a minute. You are assuming-- and forgive me if I'm putting words in your mouth, but your question at least gives the implication that anti-Americanism was endemic and widespread. I don't believe that to be the case. Yes, there were people who were anti-American and some of them with reasonably good reason. But I think there was a far broader, and I believe there still is a far broader base, of pro-Americanism in Iran than the events and the success of the Ayatollah would lead one to believe. The Iranians are a volatile lot, there's no question about it, and they are easily led, difficult to push, and they develop extreme dislikes. Now their basic desire was to get rid of the Shah, but it wasn't necessarily because they were anti-American. The two are not necessarily coextant. That is not to say that there is not anti-Americanism. There is. And some of the people who are involved, especially the-- well, the Tudehs naturally, but many of the pro-democratic element, without being communist or communist-leaning, felt-- as is apparently felt in many other parts of the world-- that we were supporting a right wing, autocratic not to say dictatorial regime, when we might well have gone other directions.

Now no one has ever satisfactorily, at least for me,