

demonstrated that there was an alternate direction to go in existence at the time, given our other strategic and geopolitical needs in the area.

So I don't know--

Q: Well, I guess what I'm saying is that those who were critical of American foreign policy in some respects, that was simulated or reinforced by the U. S. role in '53 in overthrowing Mossadegh and rebuilding the power of the Shah to some extent.

Lehfeldt: Let's examine that premise a little bit too. Despite Mr. Roosevelt's [Kim] book, the return of the Shah would not have happened if it had not been a reasonably popular activity on the part of the majority of the Iranians. I posit that as-- I mean, that's my basic premise. It would not have happened if most people had not wanted him back.

Q: But I guess you said that the U.S. played a sort of catalyzing role in bringing Mossadegh down? That's the argument that has been made, in any case.

Lehfeldt: Yes. Bringing Mossadegh down is probably more a British activity than an American.

Q: But I guess what I'm trying to say is to what extent, when you talked to Iranian officials--this is men in the seventies or

sixties--to what extent did they assume that the U. S. had played a role in that episode?

Lehfeltdt: Oh, that was a given, that we'd played a role.

Q: A major role or an unimportant role?

Lehfeltdt: Well, it was an overblown role. I think our role was not nearly as crucial, and I believe Kim Roosevelt says this in his book. Not nearly as crucial as a lot of people would have one believe today. We are widely credited--CIA is widely credited--in bringing Mossadegh down, in bringing back the Shah. Not so. We had a minor role in it. A real minor role.

Q: My interest was to what extent you took-- you took it for granted

Lehfeltdt: They took it for granted, oh, sure. But those who knew better really knew better, and you didn't find them making those charges. People like Erbal and Alam had serious questions about American policies, based on serious problems that they could see. But they were still basically pro-American.

Q: Moving on to another issue. Now apparently during the course of '76 the Shah made some tentative steps towards internal liberalization. For example, he moderated the degree of

political repression, of internal repression, to some extent, and made some moves toward legal reform of the judicial system. How much knowledge did you have of this change in tack around that time?

Lehfeltdt: Well, I guess it was more apparent than real, because it was not really-- those changes were allied with some other changes, as I recall. I may have the timing wrong, but the creation of the single party, the Rastakhiz Party, took place about that time as well.

Q: '75 or so?

Lehfeltdt: Yes. And so when you have a single party government, even if you have two wings, with the leader at least of one of the wings--that was Jamshid Amuzegar--dragged in kicking and screaming to head it, other so-called reforms really are meaningless. And so if there was a judicial reform--

Q: It was more a discussion of taking steps as opposed to actual--

Lehfeltdt: Yes. Well, there was the effort to get democracy working at the lowest possible level. Electing village chiefs and headmen, that sort of thing. It never really got very far.

Q: Some suggest that the Shah was moving in this direction because of concern that his son have some kind of a--be able to establish his own rule in a sort of legitimate fashion.

Lehfeldt: Yes. There were some interviews given by the Shah at the time, and I recall one such-- reported to me, at least, by a man who flew with him to Europe. It was John-- it was a CHRISTIAN SCIENCE MONITOR guy. At any rate-- John Cooley, I think it was. He had several hours to talk to the Shah on board the plane on several of the things, and I may have mentioned this earlier. The Shah sort of let down his hair and said, "You know, I've got to act imperial. I have to act cold and aloof and distant. My people expect it of me. That isn't the way I want to be." And it certainly wasn't the way he was at the end of World War II, when he was a playboy about town and so on. Then he went on to say, "My greatest hope is to leave my son a throne, although I am not certain that that's going to happen. Certainly he's not going to be able to rule in the same manner in which I do. He's going to have to give a lot if he's going to rule." So he clearly had something of that in mind. And I can't place that interview in time. I believe it was about '75 or thereabouts.

But, yes, I think he was trying, but it varied. He wasn't willing to go all the way and he wasn't willing, as I think I recounted earlier, to root out corruption all the way. They would take halfhearted steps against it, but it was more than he

could do to bring himself to discard some of his oldest, longest associates, his most trusted associates.

But when you got down to the end, the end of 1978, they all fell by the wayside. His personal physician, who was a Bahai. There were several others. The head of SAVAK, General Nasari. A whole batch of them he tossed in jail at the end to try to buy time.

Q: Now in early '77, Jimmy Carter of course was inaugurated President. Now from your vantage point in Tehran, how did Carter's election go over? In government circles, I suppose, or business circles?

Lehfeldt: Well, there was a certain amount of just-- let me see-- unhappiness over his election. And some of the things that came to pass as far as the business community were concerned were immediately criticized, I guess. Any of us who had anything to do with a company that manufactured military equipment that was being supplied, we were pariah. I mean, we couldn't mix with the military. These were Carter's orders, that the military not have anything to do with any arms salesmen. They were not to help us in any way. The Embassy enforced that rule as well. And it was really a very distasteful period for American businessmen abroad. For instance, even myself, who had close, good relations with many of the Embassy folk, based on personal friendships, found it very difficult to carry on a normal social intercourse with them.

They wouldn't accept invitations, some of them, because they interpreted their orders to just ignore us, stay away from us, not help us. And so it was not a very happy time, and the distrust of the American Embassy began with the advent of Carter. And by the time the Revolution came along, the distrust and alienation of the American community from the Embassy was pretty much complete.

Q: What about your Iranian contacts? People in the government, Iranian businessmen, how did they view things?

Lehfeldt: Well, you have to differentiate. The Iranian businessman and his government contacts were never disturbed particularly. Their only concern was to make sure that they didn't raise their heads too far, so that they attracted the attention of one or another of the royal family.

American businessmen and their contacts with government-- oh, it became from 1975 very difficult to even get to see a minister, where before there were open doors. It became very difficult to talk sensibly to some of the people, because the ministries were peopled with politicians rather than technicians, technocrats. And even some of my old, close friends had been moved aside from positions of power into more advisory positions, and it was very difficult to get anything sensible done. There are some exceptions, but people like Fereydoun Mahdavi, for instance, who had been a reasonably junior-- not junior, but

reasonably obscure senior officer in the industrial IMDBI, Industrial Mining and Development Bank of Iran, suddenly became Minister of Commerce, and he was impossible. Mehdi Sami'i, who had been running the Plan Organization and the Central Bank, suddenly found himself over in the Prime Minister's office as a special adviser. And although Mehdi's door was always open to me and even Fereydoun's was to a degree, if I needed to see him, but a lot of the other people withdrew. Reza Mogaddam withdrew from government and started his own bank. Cyrus Sami'i-- well, of course, he'd gone into a bank before, in any case, the Iranians Banka joint venture of Citibank, and then the Iran-Arab Bank-- that's not quite the right title, but--

At any rate, a whole raft of new people came in, that were unknown or strictly politicians, and made it very difficult to deal with them rationally. Many of them had their hands out, which made it very difficult. They had a whole new coterie of interlopers-- intermediaries rather-- coming along seeking to be helpful to you. For a price. And so it was very difficult to walk the straight line that the Carter Administration expected businessmen to walk and satisfy the Iranians in the manner in which they expected to be satisfied.

Q: Getting back to Carter's foreign policy, he appointed William Sullivan as Ambassador, of course.

Lehfeldt: Yes.

Q: Did you get--given what you've been saying already, it sounds like you didn't get to know Sullivan or--

Lehfeltdt: Why, I'd known Sullivan before.

Q: Oh, you had? Okay.

Lehfeltdt: You know he owed his appointment as Ambassador to Averell Harriman.

Q: I think I've heard that.

Lehfeltdt: He was Averill's protege.

Q: The Laos period, yes.

Lehfeltdt: Yes. And Bill did have some Middle East experience. He'd served in Iraq-- Basra or some place like that-- early on in his career, but he knew nothing about Iran. Or very little. He came almost directly from the Philippines. And he arrived-- if I recall correctly, he arrived in about March, 1978. He left in early June to go on extended home leave and he came back at the end of August, 1978. Because I was on the same plane with him when he came back. I know when he came back. It was about the time of the Abadan Theatre disaster.



Now-- you can't tell me that Bill Sullivan kept his thumb on the pulse of things during those crucial months, when many serious things were taking place. I think we had a pretty lousy Embassy then. Perfectly frankly, we had a lousy Embassy. And I may have mentioned this earlier, I don't know.

Q: Not in those terms, no.

Lehfeldt: We had a Political Counselor who didn't want to be there.

Q: Who was that?

Lehfeldt: A Greek name, George Lambrakis. Pretty bright guy, all things considered. We had an Economic Counselor-- I'm talking about 1978 now--

Q: This is '77 or '78 particularly?

Lehfeldt: '77, '78. Late '77-'78 particularly, because all the turmoil began in early '78. Some people put it in Tabriz, some people put it in Mashad, some people put it in Qum, but it all began in early '78. Or would be intensified in early '78.

We had an Economic Counselor who had never served in the Middle East. He'd been head of the Economic Section in Panama, of all places. We had a head of the CIA, the Station Chief, who

had spent the previous thirteen years in Japan. Spoke no Persian, as far as I know.

Q: The DCM was-- ?

Lehfeldt: The DCM was Charlie Naas, who was reasonably knowledgeable. I believe it was Charlie Naas.

Q: Well, Miklos was on--

Lehfeldt: Jack Miklos was there until Bill arrived, that's right.

Q: Actually through part of '78, I think.

Lehfeldt: Yes, until Bill arrived.

Q: Well, Sullivan arrived in '77, didn't he? Spring of '77?

Lehfeldt: No. No-o.

Q: Yes. The spring of '77. Like June or something.

Lehfeldt: Late. Later than that. If it wasn't early '78.

Q: Well, there was a gap between Helms and Sullivan.

Lehfeldt: There was a long gap between-- there was a pretty long gap. He didn't get there-- well, it was late '77 then. It wasn't early '77.

Q: I think Miklos was there through like May or June of '78, something like that. What was your assessment of Miklos?

Lehfeldt: Very careful. [laughs] He wasn't going to do anything to rock boats. He was hoping to get an ambassadorship himself, with the result that he wasn't going to take any chances. He knew a lot of Iranians, no question about it. But I don't believe that he was fully trusted or respected by the Iranian senior hierarchy. Well, obviously he was the junior man and a fill-in, so they weren't going to accord him the same treatment that they would someone who was clearly the right hand of the President, or the emissary of the President, as Dick Helms was and Bill Sullivan was supposed to be.

But, you know, there were a number of other things that were happening at the time in the military.

Q: Oh, in the MAAG?

Lehfeldt: Yes, in the MAAG. You had Arthur Schlesinger-- no, I'm sorry, not Arthur Schlesinger. You had Schlesinger anyway.

Q: James Schlesinger?

Lehfeltdt: Who was the Secretary of Defense?

Q: Brown. Schlesinger and then [Donald] Rumsfeld, then Brown, under Carter, right? Before Brown you had Rumsfeld, and before him was James Schlesinger. But he was in Energy under Carter, right?

Lehfeltdt: Well, under Schlesinger started the fundamental deterioration--I view it at least--of the MAAGs integrity.

Q: It was during the Ford period then.

Lehfeltdt: Yes, it was during the Ford period, because he'd put in this Colonel What's-His-Name down there as an adviser to--

Q: Hallock?

Lehfeltdt: [Richard] Hallock, yes. Adviser to Toufanian, and that came a cropper. Toufanian paid Hallock off very handsomely just to get out of the country. And then Erich von Marbod came as the personal representative and this sort of detracted from the authority of the Armish-MAAG Chief and made life very difficult and set up another pole vis-a-vis both the Armish-MAAG Chief and the Ambassador. And by the time you got [Philip] Gast

there, who was not overly-- I don't know what to say about him, I didn't know him all that well. Apparently an able military guy, but knew nothing about Iran particularly. And that came back to haunt everybody when he was running that operation in the desert later on.

The Embassy's disarray-- and I view it as disarray, because it didn't have a very good crowd-- and the military disarray, because of the divided loyalties there, made it very easy for the Iranians to play them off one against the other.

Q: That's very interesting.

Lehfelddt: Yes. I don't know whether anybody else would say that, but I certainly felt that.

Q: About early '77-- I guess by early in the year-- the economy of Iran was falling into recession of sorts. I've read that unemployment reached about nine per cent by the end of the year.

Lehfelddt: Oh, hell, it was always much higher than that. Nine per cent where?

Q: I guess I saw a figure for the national level. That could have been--

Lehfelddt: That was a figment of imagination to begin with.

Q: In terms of statistical methods?

Lehfeldt: Yes. There was more disguised under- and unemployment than you could shake a stick at. It was almost as bad as India in some respects. Not quite. But to assert that you had only a nine per cent unemployment rate I think is ludicrous. I realize they had to manufacture numbers for things, but if you went down into South Tehran in 1977 of a warm summer's day, you wondered why the place didn't blow up earlier. People were flocking to town from the countryside, from the small villages all over the country, hoping to get in on the gravy train and crammed into impossible living quarters in South Teheran, by and large. And all looking for jobs. You could go down there with your truck and fill it up with people to go out working on day labor, and you didn't have to pay them very much, because they were really paid starvation wages. And here were all these enormous big apartments going up, enormous luxury housing projects, and nothing going on in South Teheran. That's another one of the effects of the--

Q: Like I say, I guess unemployment became much more serious than it had been earlier.

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Lehfeldt: Yes.

Q: What was the impact on the U. S. business community of this development? If any?

Lehfeltdt: Of the recession?

Q: Yes.

Lehfeltdt: Well, there was a-- when you say recession, they suddenly realized that they had overspent and they'd over-committed, and they had to draw back.

Q: There was a tightening of monetary policies?

Lehfeltdt: Yes. And there was also the problem that they were over-taxing their own facilities. You know, the crowding of the ports was just incredible by that time, and so they had to do something sensible about clearing them out. And I think there was a return to some effort at rational management of the economy, but not enough. I'm not quite sure my memory permits me to bring back chapter and verse, but by 1976, I guess, they had lifted all foreign exchange controls, had they not? Can you remember when that-- ?

Q: Yes, that's right. It was around that time.

Lehfeltdt: So by 1977 every Iranian, wealthy Iranian worthy of

the name, was planting his little nest egg outside. So you had a drawdown on foreign reserves. And the oil situation was not reaping the rewards that they'd thought it would, and they were spending a hell of a lot more than they were taking in. And if I'm not mistaken, it was about that time they started to go on to the European market to raise money, didn't they? They floated a few loans out there at that time. So they had to begin to try to put their house back in order. The trouble is they didn't do it quickly enough or thoroughly enough. They were still relying on some of what I call the Chinese Cultural Revolutionary Squad methods to get some of it done, with the attendant increase in dissatisfaction with the government. Especially on the part of the bazaar and the industrialists.

Q: So these deepening economic problems-- did they have much of an impact on the investment plans of U. S. corporations?

Lehfeldt: Of course. Of course. You couldn't get anything approved. Governments were-- I mean, government agencies were pulling back. My own company, General Electric at the time, we had thought we might do a number of things with the government. We made some proposals to IDRO, the Iran Development & Reconstruction Organization, I think it was called, which was the government industry arm, government-owned company. And they owned a lot of things like Machine Sazi Tabriz, and a lot of the Arak [Southwest of Iran] businesses were run by IDRO.



And we made a whole series of presentations to them on what we would like to do, absolutely with no resonance whatever. Mainly because we weren't bringing big buckets of money in. We were expecting participation and cooperation and so forth and so on, and that wasn't what they were looking for.

I always got a good hearing. I never had any problems. Some of my old friends from government, when I was in government, were running those ministries. Reza Amin was running the Ministry of Industry-- Commerce and Industry, I guess it was. And Dr.-- I can't think of his name-- was still head of IDRO. Very nice man.

Very honest. Thoroughly competent, but no place to go. No place to go.

Q: Now with the worsening of economic conditions, I've read the Shah began to relax somewhat the Rastakhiz Party's anti-inflation campaign.

Lehfeldt: Yes.

Q: And the anti-profiteering efforts as well. And he made some Cabinet changes. He appointed Amuzegar--

Lehfeldt: Prime Minister.

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Q: Replacing Hoveyda?

Lehfeltdt: Yes.

Q: This was all, I think, in August of '77. From what I've read.

Lehfeltdt: Yes, that's correct.

Q: What was your impression of this policy shift? The Amuzegar appointment, among other things?

Lehfeltdt: Amuzegar was much more of a nationalist than Hoveyda was. Hoveyda was a real pragmatist. Amuzegar was more of an ideologue than Hoveyda. And Amuzegar was probably, in a sense, a better educated technocrat than Hoveyda. But Hoveyda was the ultimate politician in Iranian terms. He knew how to get the best and the most out of a diverse ragtaggle group of people. He knew who to pay, when to pay, and how to pay, and he engaged in a great political juggling game for thirteen years as Prime Minister. One of my friends, who knew him well, quoted him one day to me. He says, "You know, give me another five years and I can make this system last and work, but I'm afraid I don't have that long." And it was very shortly after that that he was replaced by Amuzegar.

Now Amuzegar, who had been a very good Minister of Finance for many years and made his reputation as the principal representative in OPEC, and indeed was the man who sort of made

OPEC work, along with [Sheik] Yamani, back in 1971-72-73 period, and engineered those agreements that brought about the vast increase in oil income, should have been a good technician, but he was insensitive as a politician. There are stories-- and I'm told they are true-- that when he discovered the sort of privy purse list that Hoveyda maintained of mullahs, ayatollahs, religious leaders, he was appalled and said, "Cut it all off." So he cut off--

Q: The subsidies?

Lehfeldt: The subsidies, yes. So he cut off the payments that were keeping these people loyal-- at least vocally loyal, if not truly loyal-- to the government, and forced them with one stroke of the pen, overnight, into the vocal and active opposition. That's, I think, demonstrable, although I can't say for sure, because I've never seen the documents of it. But there are many people who will swear to that. That was the first of many sort of insensitive things.

Q: Now, I guess during the course of the same year of '77, there was an increase in organized opposition activity, there was student unrest that was fairly widespread, there were protests in the Tehran bazaar and other places. How did you assess these developments. How much did you know about them?

Lehfeldt: We didn't know much about them, because naturally they didn't appear in the newspaper. And unless you happened to be caught up in the middle of one of them, you didn't know it occurred. You got rumors, and, of course, some highly visible things as the assassination-- the killing of a couple of American officers, technicians, and so forth. That was hard to keep under cover. But by and large, we didn't know much about the demonstrations and anti-regime activities.

Q: Before '78?

Lehfeldt: Before '78. I've been asked before, when did business know what was happening and what did they do about it? We really weren't aware very clearly about what was happening until well on into '78. The Embassy, I must say, didn't do much to elucidate the situation either.

Q: Now late in that year, in '77, President Carter made a state visit.

Lehfeldt: Yes. On New Year's.

Q: Right. That's right, close to New Year's Eve. What was your interpretation of the visit? How did you evaluate it at that time? Did it have any special significance?