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DECEMBER 12, 1971

SUMMARY ~~MEMORANDUM~~ FOR PRESIDENT

1. Iran is today the strategic center of the world. Dominating the Persian Gulf and with a 1500-mile border with the Soviet Union its continued stability and possible collapse could endanger the world oil supply and tilt the balance of power.
2. The Shah has been irreparably damaged by recent events. He cannot regain his absolute power position except through violent repression that could turn Iran into another Lebanon.
3. By acting promptly and visibly the Shah has a last chance to preserve the dynasty either by assuming the role of Constitutional monarch or through a regency.
4. But the time for action can be measured in days; delay will mean a resumption of turbulence. There is danger that the Shah may toy with half measures that will not succeed. Mistrust of the Shah is so widespread as to rule out any gradual relinquishment of power. The Shah must announce unequivocally that he is transferring all civil power to a civilian government coalition. He might remain commander of the armed forces as called for by the 1906 Constitution, but only with the clear commitment that he will use the armed forces for internal matters only with the approval of the government and parliament.
5. Unless the Shah acts dramatically to transform the situation, events will rapidly deteriorate. Oil production is less than one fifth what it was, the banking system is badly impaired, unemployment is mounting and inflation is heading toward 30%. The army cannot cope with these economic problems. Meanwhile it has started a counter campaign of beating and shooting. Bloody reprisal and counter-reprisal are sure to follow.
6. The telegrams indicate that some representatives of the National Front have been talking with Ambassador Zahedi acting for the Shah. Given the personal interests of those conducting the talks I fear the talks could lead to half measures that do not involve a definitive transfer of power. In that event time will have been lost without producing anything adequate to secure public confidence and stop the strikes and violence.

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ISSUES AND IMPLICATIONS OF THE IRANIAN CRISIS

George W. Ball

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Review for Declassification
on December 12, 1984

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The collapse of the Shah's regime is far more significant than a localized foreign policy crisis with exceptionally high stakes; it challenges the basic validity of the Nixon Doctrine. We made the Shah what he has become. We nurtured his love for grandiose geopolitical schemes and supplied him the hardware to indulge his fantasies. Once we had anointed him as protector of our interests in the Persian Gulf, we became dependent on him. Now that his regime is coming apart under the pressures of imported modernization, we have so committed ourselves as to have no ready alternative.

This paper will deal primarily with the immediate political crisis in Iran and what our policy may look like over the near and longer term. But the events in Iran also call for a searching reappraisal of the assumptions underlying the Nixon Doctrine and the degree to which we can afford to delegate to others the protection of our own vital interests.

THE IMMEDIATE WEEKS HEAD

Now that the Shah has so far weathered the storm of Ashura, he will be tempted to conclude that he can retain his power intact. Yet the passage of the immediate crisis does not mean a return to tranquility. On the contrary, Iran faces a period of protracted turbulence and perhaps another intense confrontation on the day of mourning that will occur about January 20th (40 days after Ashura). Continuing turmoil will disrupt economic activity; inflation will rise to 30 percent or more; and the cancellation of construction projects, the impairment of the banking system, and the slow-down of the economy will increase unemployment and public discontent.

Yet dangerous as they will be, the next few weeks may offer the last clear chance for Iran to avoid a dark night of repression and the vanishing hope for anything resembling constitutional government.

To exploit this brief interlude of opportunity we should, in my view, change our approach in dealing with the Shah. In these latter days of crisis we have tended to treat the Shah as though he were an invalid requiring constant encouragement and incessant avowals of unqualified support. To continue such solicitous treatment could encourage the Shah to illusory hopes and deter him from squarely facing his predicament. Ever since President Nixon's visit to Tehran in 1972, we have behaved as though Iran were a power equal to America, and, as I shall point out later, have contributed to the Shah's megalomania. Though we need the Shah in the short run, he needs

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us far more, both now and in the longer future. If he thinks he can take for granted our full support he will feel less need to make the hard decisions and undertake the difficult actions required even for his own survival.

I think it important, therefore, that we try as soon as possible to condition the Shah to the realities of his own precarious power position. We must make clear that, in our view, his only chance to save his dynasty (if indeed that is still possible) and retain our support is for him to transfer his power to a government responsive to the people. Only if he takes that action can Iran hope to avoid continued disaffection followed by cumulative economic paralysis. Our interest is to assure that the Shah uses the limited period of respite now available to bring about a responsible government that not only meets the needs of the Iranian people but the requirements of our own policy.

In seeking to facilitate such a transfer of power we must take into account (a) the possible form of the government to which power may be transferred, (b) the process by which we make our influence most effectively felt, and (c) the timing of our moves.

Possible Form of Government

Efforts to Organize a Coalition

The most desirable solution -- at least for the short term -- would probably be for the Shah to remain as chief of state, retaining qualified command of the Army but entrusting the exercise of political power and decision to a civilian government.

Although he is not keeping us fully informed, the Shah seems to be trying to negotiate with representatives of the National Front to reach agreement on the establishment of a coalition government. While encouraging those efforts, we must make it clear that nothing less than a full transfer of political power will enable his dynasty to survive. At the same time we should not permit our expressed loyalty to the Shah to inhibit us from a quiet dialogue with representatives of the various moderate interests.

If current efforts to organize a coalition government fail primarily because the Shah is unwilling to give up enough of his powers, mass demonstrations, strikes and violence will continue to enfeeble the economy. In that event the chances are

either that the Shah will abdicate in favor of his son under pressure of the Army or "hunker down" while the Army attempts to restore order through Draconian repression characterized by terror, torture, widespread imprisonment and wholesale bloodshed.

So long as the Shah feels he has the unquestioning support of the United States, he is unlikely to accept the limitations imposed on a constitutional monarch or to abdicate. Thus, instead of letting the Shah think we are with him all the way no matter what he does, we should firmly and repeatedly lay out the terms essential to a peaceful transfer of power.

Shah as Commander of the Army

In his talks with representatives of the National Front, the Shah has so far stubbornly insisted not only on retaining his role (given him by the 1906 Constitution) of Commander-in-Chief of the Military Forces but also on controlling the military budget. This latter demand cannot possibly be accepted by a coalition government; military expenditures must be treated like any other items in the budget and determined by the civilian authorities.

If he gives up the budget, there are some practical advantages in leaving the Shah as Commander-in-Chief under a coalition government. He has personally picked the officer corps for a quarter century (ever since 1953), and they have looked to him for their orders. Many of the older officers would almost certainly be repelled by the idea of taking orders either from a coalition government or from a regency council in the event the Shah were to abdicate in favor of the Crown Prince.

In addition to the Shah's special relation with the military, he is the only symbol of Iranian unity in the far reaches of a country inhabited by largely illiterate and widely disparate ethnic groups. The departure of the Shah and the creation of an Iranian Republic might run the risk of encouraging the creation of ethnic republics (Baluchistans, Kurdistan, Arabistans, etc.) that could lead to Balkanization and pave the way for increased Soviet influence.

Shah or Regency?

At the moment, elements of the moderate opposition are proposing that the Shah abdicate in favor of the Crown Prince,

who would for the next two years (until he reaches the age of 20) be responsible to a regency council. They hope to clear this scheme with Khomeini, since, were he to approve, it might relieve much of the current pressures. Still it is not entirely clear whether opposition sentiment is anti-dynasty and anti-Pahlavi or merely anti-Shah.

That question may, however, be academic since, in the absence of great pressure from his military commanders, there is so far no evidence to suggest that the Shah would abdicate. He seems more likely to hang onto his crown, resorting to increased repression so long as the Army gives its full support.

Iran Without the Shah

The older hardline officers in the top military command are likely to remain loyal to the Shah and if necessary to use brutal force to keep him in power. There is, however, evidence of growing discontent particularly among the junior officers. Though I think it unlikely that we shall see the emergence of a Nasser or group of Greek colonels who would send the Shah packing, we cannot rule out that possibility -- particularly if they are led down the road of increasing repression.

Though it would seem out of character, it is not beyond the realm of possibility that the Shah might leave of his own accord. Were he to decide that he could not remain in face of a continued display of public disaffection, he would probably try to arrange a regency. If that proved unacceptable, we might have to deal with Iran without the Shah, in which case the military would be the only effective center of power.

The most serious question is whether, if the Shah were to leave, the armed forces could find another focus of loyalty or discipline. Failure to find such a focus could well lead to a power struggle that would not only be disruptive but could result in the installation of a military dictator who relied for legitimacy solely on force.

For the time being, therefore, we should try to keep the Shah on the scene, but only if he is prepared to transfer power to a responsible civilian authority and some agreement can be reached with responsible representatives of the nationalist groups. To continue to back him while he sought to hold power by continued repression would, in my judgment, not only be futile, but lead, in the longer term, to the ultimate destruction of our authority in the area.

The Process of Selecting a Civilian Government

If there were one clearly outstanding leader of the opposition, the Shah might designate that man as prime minister with full authority to choose a government that would give appropriate representation to all responsible elements of the opposition -- ranging from the mullahs to the non-communist elements among the discontented students. But no single leader can be found who inspires confidence across a wide spectrum of opposition opinion.

If the Shah tries instead to designate the whole government -- presumably in negotiation with some civilian politicians who claim to represent a cross-section of responsible opinion -- the result will bear the stigma of the Shah's creation and be automatically discredited. If such a government should succeed in coming to power, it would be unlikely to last very long. Turbulence would continue, while the problems facing any such newly constituted government would be far beyond its capacities.

Popular Election

Yet if any government chosen directly by the Shah would be subject to popular suspicion, immediate resort to the electoral process offers no realistic alternative. Though the Shah has proposed an election in June for a new parliament (Majlis) from which a new government might be formed according to normal parliamentary procedures, to try to hold an election so soon -- before political parties have had time to organize effectively -- would produce political aberrations with violently divisive results.

Council of Notables

Though any government selected directly by the Shah would be automatically discredited, we might try to avoid -- or at least minimize -- that danger by having the Shah, in consultation with moderate spokesmen, appoint a broadly representative body to name a government. We might, for example persuade him to nominate a Council of Notables, carefully chosen to represent the major sectors of responsible opinion. The mandate of that Council (which could expand its own membership) would be to select a new government. Since that government would be created by a representative body it would be at least one step removed from being the Shah's creation.

If we were to set this process in motion we could not risk leaving the choice of the Council solely to the Shah's discretion; otherwise he would nominate only personalities compatible with his views. Instead we should ourselves suggest to him a carefully vetted list of individuals representing a wide spectrum of responsible opposition together with some largely apolitical technicians competent to run the government.

Within the last few days, with the help of the Agency, we have been assembling such a list. This has not been an easy task, since many of the most qualified men have been compromised through association with the Shah while those not compromised have been out of political life for a quarter century. Whether the Council of Notables would be able to agree on a new government is by no means certain. Instead they might, as Ambassador Sullivan has suggested, agree only on demanding the abdication of the Shah. But in the absence of more practical alternatives, it would still seem a risk worth running.

The creation of such a Council would obviously require the agreement not only of the Shah but of the military. Under this scheme the armed services (though not SAVAK) would continue to be responsible to the Shah as Commander-in-Chief in accordance with 1906 Constitution. But the Shah would have to accept explicit constraints regarding his use of the military, and he would have to let the parliament determine the military budget in the same way as it determines the allocation of resources to any other area of government expenditure.

U.S. Bargaining Power

Before trying to gain the approval of the military to this line of procedure we should carefully assess our bargaining leverage. We have, of course, ample clout with the Air Force, which is the apple of the Shah's eye. We provide them with nearly all of their equipment, including \$7.5 million of highly sophisticated hardware now on order. We also have a strong position with the Navy, which has a large pipeline of orders for American ships and advanced systems.

But neither the Air Force nor the Navy is likely to play the major role in political decisions. The Army alone has the power to dominate the streets and countryside and take repressive measures.

Unfortunately, we do not have the same degree of leverage with the Army as with the other services. Only 25 percent of the Army's equipment is American made, and its American procurement program for the future calls for little more than the supply of spare parts. Our appeal to the Army must, therefore, be more in terms of our willingness to guard Iran against Soviet aggression. We should make it crystal clear that our defense efforts will substantially depend on the establishment of a government in Iran that we can support with self-respect.

I do not know who is in the best position to exercise maximum persuasion on either the Shah or the military. The Shah might be left to Ambassador Sullivan, who has already established some relations of confidence. On the other hand, it might be well to ask Secretary Harold Brown or someone else from the Defense Department to conduct discussions with the Army and the other military services.

Timing

Although negotiations have been underway for some time between the Shah and opposition elements, there is no indication that any significant progress has been made. Both sides are looking for a signal from us about how to proceed. The public and private positions we take will strongly influence the direction of the negotiations.

We should not delay in conveying our private views to the Shah that a transfer of power is indispensable and urgent. The next few weeks provide the last opportunity for the Shah to take initiatives which could let the steam out of the opposition, focus their attention on the formation of a government, and generally engage the political forces of the country in something more positive than a monotonous denunciation of the Shah.

Delay or equivocation on our part in making our position clear can only let the situation drift, create the impression that we are satisfied with the status quo, and tempt the Shah to maintain an unrealistically unyielding posture in his negotiations with the opposition. We should try to avoid injecting ourselves actively into the negotiation process until the parties specifically request assistance; and we should avoid giving the impression of endorsing particular candidates for particular jobs. Our endorsement can become a political kiss of death, as it has been for Dr. Amini.

We have everything to gain if the Iranians can -- with our indirect guidance -- work out their own problems. Our objective should be to make sure that they approach the task realistically, work at it intensively and do not simply talk themselves into an endless stalemate broken by sporadic outbursts of new dissatisfaction.

Finance and Supply

In the very short term, Iran's economic picture is manageable. The government has roughly \$10 billion in reserves, there are stocks of most staples, and some new supplies are reportedly on order. If the political obstacles to the normal functioning of the economy can be removed in the relatively near future, there is no overwhelming reason why the economy could not be brought back to health. However, the longer the strikes go on -- particularly in the oil fields, but also in utilities, distribution, retail and banking -- the more difficult it will be to avoid an economic collapse. So far the effective breakdown of the banking industry has interfered with normal payments to creditors which has in turn resulted in lack of confidence among lenders, an absence of short-term financing for commercial orders, and growing uneasiness on the part of foreign investors. If the loss of oil revenues and disruption of all aspects of Iranian economic life continue, severe effects will begin to be felt in the new year. Under the best of circumstances, inflation will go back to the 30 percent level or higher, unemployment will increase due to the general slowdown of economic performance, and shortages of some items will almost certainly occur. All of these effects will be magnified the longer the crisis of confidence continues.

In the longer term, Iran faces sizable problems of a structural nature. I understand that Treasury is looking at this. At some point, we may have to address the possible rescheduling, stretching out or renegotiation of the \$12 billion in military equipment sales currently in the pipeline. However, it will be possible to deal with longer-term economic issues only when the political situation has been clarified and, hopefully, some degree of stability restored.

Dealing with Khomeini

The Ayatollah Khomeini, by his fanatical opposition to the Shah for more than 15 years, has come to personify the revolt. The Iranian people view him as a legendary, almost sacred, figure, whose actions are beyond reproach. In the

near future any political solution that does not have his expressed or implied acquiescence will be difficult to achieve. He could well provide an insurmountable obstacle to any solution that leaves the Shah with even titular authority and it is by no means clear that he could be placated by the creation of a regency. Thus we urgently need to open a disavowable channel of communications with him or his entourage. If we are to undertake a more active role in political developments, we will at least need a means of passing messages or seeking private views.

We should also consult closely with the French at a very high level in an attempt to make Khomeini's visit to France as brief as possible and to limit the extent to which he and the shadowy group around him are permitted to manage events in Iran. We must avoid actions that could be misrepresented as harassment or persecution, since that would arouse fury in Iran and might threaten French or U.S. interests. But there is a range of actions short of expulsion that could reduce his ability to coordinate activities in general, his exposure and ability to communicate promptly and freely would probably be less in an Arab country than in Paris.

Lessons From Past Experience

Our handling of the Iranian crisis will test whether or not we have learned from our experience in the past decades. From that experience we should have distilled three painful but relevant lessons.

The first is that we must avoid the catastrophic illusion that, because we support a foreign country, our vital interests are in every way congruent with the interests of that country as perceived by the government in power. Prior to the Carter Administration we sometimes indulged that illusion with regard to Israel. The issue with Iran is more complicated, since it does not concern that country's relations with other nations, but rather the arrangement and distribution of power within the country itself.

The second principle is that we should not, as we did with General Diem, encourage the overthrow of an existing government until we are reasonably sure that the successor government would offer a better chance of stability.

The third principle is that we should not -- as we did with President Thieu -- become the prisoner of a weakened leader out of touch with his own people, who induces us to act against our own interests by constantly threatening -- like the heroine in an 18th century novel -- to collapse if we say a disagreeable word.

IRAN -- TWO YEARS FROM NOW

The most likely prospect for Iran is that two years from now there will be either (a) a military government with or without the Shah, (b) a weak civilian government without the Shah or with a regency or ~~the~~ with the Shah exercising limited powers, or (c) civil war and anarchy.

Military Government

If there is a military government with the Shah still trying to assert full control, it will be because the Shah and the generals have opted to try to save his regime through repression. Whether a cruelly harsh regime could last two years is impossible to predict. At some point it would likely become so onerous that the people -- or the young officers who are closer to the people -- would throw it out, but only after great bloodshed. Meanwhile one could expect the economy to sink to a low level, even though the generals would no doubt do everything possible to keep the oil flowing and might well be able to do so.

What should be our posture towards such a regime? Certainly we could not maintain the same close relations as in the past with a group resembling the Greek Colonels and still make any pretense of championing human rights. But should we continue to provide the same vast amounts of military hardware? To cut off the present pipeline for the Air Force would be a highly provocative act that would cause violent reactions among the military, though not so much in the ranks of the Army which would most likely be controlling.

Certainly also we would have to rely less on Iran for the protection of the Gulf. But if we continue to think of defense in the Nixon Doctrine terms of a prime dependence on local powers, there are no real alternatives in the area. Saudi Arabia is far too small in population while any attempt to improve its military strength would create awkward American domestic problems with pro-Israeli groups. Thus we would almost certainly be driven to changing our emphasis to a greatly increased reliance on our own direct defense capabilities.

Civilian Government

If the Shah retires or becomes a constitutional monarch, we could not look forward to a strong stable central authority. Nor is such stability assured even if the Shah goes and the milit

let a civilian government (or a succession of such governments) take over. Unless a man on a white horse should come riding on stage (and there is none on the horizon), we could hope for nothing better than the French Fourth Republic, without the benefit of the French Administration which kept the country going. Thus, now that the Shah can no longer wield absolute power, Iran is likely to appear as a far weaker and less secure country no matter how well it adjusts to civilian control. Moreover any civilian government will be far less complaisant than the Shah has been since it will have to take account of the anti-American overtones of the struggle that created it. Thus -- whatever happens -- we shall no longer be able to rely on Iran as a strong anchor of support in the Persian Gulf area.

Although Iran is probably fated for a long period of instability and political uncertainty, the situation is not entirely without some hopeful signs. Iran has great natural and human resources. Iran's oil reserves and great production capacity provide a solid base for economic recovery once the strikes have ended. There is a wealth of young, well-educated and energetic men and women who have systematically been excluded from the political process or even the administrative areas of government. Many of the most talented of these have gone into self-imposed exile or spend most of their time outside Iran. If that body of talent could be mobilized and put to work, Iran's future need not be bleak.

Civil War and Anarchy

No matter what actions we may take in the present crisis, we cannot look forward to a tranquil future for a nation as socially, economically and spiritually disturbed and divided as Iran is today. We must frankly face the possibility that -- perhaps after a period of repressive government -- we might well have to cope with an Iran torn by civil conflict and with the Soviet Union threatening to intervene in response to leftist elements that had managed to exploit the revolutionary turmoil. In that event we might have to face down the Soviet Union in a direct political confrontation.

If Moscow persisted, we might even have to contemplate the occupation of at least the southern half of the country, which includes the oil fields. No matter how unattractive that prospect, we must be ready for that contingency. We simply dare not let Iran fall within the Soviet power orbit. Not only would that critically tilt the global balance of power, but Saudi Arabia and the Gulf states would be thrown

into total shock by hostile forces just across the Gulf and able to interdict Gulf traffic.

That danger is increased significantly by the presence of Iranian populations on the opposite side of the Gulf. A very significant proportion of the resident populations are of Iranian origin in Bahrain (40-50%), the UAE (especially Dubai, 25-30%), Kuwait (20%), and others. Part of this population is well established and goes back several generations. Others are laborers who have migrated in search of petrodollars. Many of the Iranian shops are run by young educated men who have come to escape Iran, particularly the draft. This population, and particularly the young shopkeepers, constitutes a built-in channel for the distribution of radical nationalist ideas across the Gulf. This could become a factor if Iran goes into a prolonged period of domestic violence and radicalization.

THE IMPACT OF THE IRANIAN CRISIS ON OTHER STATES

Saudi Arabia and the Gulf States

The Saudis and many of the smaller Persian Gulf states look to the United States for reassurance and leadership as they watch what appears to be an encirclement of the Gulf by an expanding Soviet presence in the Horn of Africa, South Yemen and now Afghanistan. However, any tangible shift of U.S. policy toward a higher profile or closer military cooperation would also require some difficult policy choices on the part of the Saudis and the smaller principalities of the Gulf. In the past, their calls for the United States to "do something" about Soviet advances have not only lacked specificity but have also been notable for the absence of any apparent willingness by the Gulf states themselves to pay a significant political price.

If the United States is to increase the tangible evidence of its security commitment to the Gulf, it will require not only the acquiescence but the active cooperation of its friends in the region. We should begin as soon as possible to consult frankly with the Saudis about the options we face. We must invite them to address with us the painful choices associated with security planning for the area. A more vigorous U.S. security policy toward the Gulf would not be popular in Baghdad, Damascus, Tripoli and elsewhere. Would the Saudis be prepared to risk criticism from those sources?

In any event, the fact that we chose to consult seriously in advance of difficult policy choices might be reassuring evidence of our seriousness of purpose, as compared with the largely sterile exchange of formal assurances that has characterized so much of our dialogue over the past year.

Impact on Soviet Union

Brezhnev's statement of November 19, and his letter to the President strike an ominous note in suggesting that, because the Soviets have a long border with Iran, they should enjoy a special position of influence in that country -- at least balancing our own. This bears a close and disquieting resemblance to the Brezhnev Doctrine -- the asserted claim of a right to intervene, not because Iran is a socialist country but merely because it is adjacent to the Soviet Union and thus can affect its security interests.

The possibilities for conflict are heightened by two documents. One is our own Mutual Defense Treaty with Iran of 1959, though that requires us to do little more than consult and take such actions as we deem fit. More important is a Soviet-Iranian Cooperation Agreement that dates back to 1921. The key passage is Article 6:

If a third Party should attempt to carry out a policy of usurpation by means of armed intervention in Persia, or if such Power should desire to use Persian territory as a base of operations against Russia, or if a Foreign Power should threaten the frontiers of Federal Russia or those of its Allies, and if the Persian Government should not be able to put a stop to such menace after having been once called upon to do so by Russia, Russia shall have the right to advance her troops into the Persian interior for the purpose of carrying out the military operations necessary for its defense. Russia undertakes, however, to withdraw her troops from Persian territory as soon as the danger has been removed.

This treaty has a long history and there have been subsequent statements and agreements. There are also responsibilities spelled out in the treaty (e.g. agreement not to permit the formation of groups within the territory of one state called for acts of hostility against the other) which the Soviets systematically disregarded for years. The Iranians have, therefore, maintained that the treaty has been invalidated by these repeated violations.

But the Soviets consider the treaty to be valid and in force and might well employ it as the juridical excuse for intervention if the Soviets saw a reasonably safe opening. Such an opening might occur if Iran were torn by angry dissension after a protracted ordeal of repressive military government and the Soviets saw a chance to exploit the pent up discontent.

IRAN AND THE NIXON DOCTRINE

In considering longer-term plans with regard to the Persian Gulf area, we should consider the effect of current events on the so-called Nixon Doctrine, which held that the United States should try to reduce its own overseas commitments by arming friendly regional powers to provide the principal protection of their own areas. That furnished our principal conceptual rationalization for pumping vast quantities of arms into Iran.

On paper, Iran offered an almost perfect setting for the application of the Nixon Doctrine. Not only did it occupy a strategic location on the Soviet border, dominating the Persian Gulf and most of the world's oil, but it was ruled by a man who owed a considerable debt to the United States (which had kept him on the throne in 1953). The Shah was moreover a proclaimed anti-Communist who saw the world in the same geopolitical framework as Nixon and Kissinger.

The event that established the trends which culminated in the present crisis occurred in May 1972, when Nixon and Kissinger visited Iran. Having recently traveled to China, President Nixon came to Tehran direct from Moscow, full of confidence that his global policies were finally coming together as a coherent whole. Oil, he told the Shah, must never again be cut off as had occurred under Mossadegh.

The Shah was quite prepared to continue the oil flow and resist the Soviets but his price was high. He demanded the most modern weapons, United States cooperation in dealing with the Kurdish revolt, and American military technicians.

The Shah had a broad vision and vaulting ambitions. He declined the offer of an increased United States naval presence in the area on the ground that he could defend the Gulf himself. His relations with Haile Selassie in Ethiopia and with the regime in South Africa furnished the key to his Indian Ocean strategy. As for Iran, he was confident he could deal with his domestic problems by putting the subversives in jail.

The Shah agreed with President Nixon on the need to prevent the students from becoming infected with subversive tendencies. Nixon agreed to help the Shah by providing any weaponry he needed.

The Shah's immediate requests were approved by Dr. Kissinger, who was National Security Advisor. He directed the Secretaries of State and Defense to offer to sell F-14 and F-15 aircraft then still in development, laser-guided bombs that were just being introduced to American units in Vietnam, and an increased number of uniformed technicians. Decision on the acquisition of military equipment, Kissinger decreed, should be left primarily to the Government of Iran, and the United States should not discourage Iran's appetite for highly sophisticated equipment.

Nixon's laying on of hands and his willingness to treat the Shah as the guardian of western interests in the whole Gulf area, greatly contributed to the megalomania that ultimately produced the current debacle. When two years later the quadrupling of oil prices provided Iran with an enormous increase in revenues, the present crisis became almost inevitable. With arms flowing in and plenty of money to buy more the Shah felt commissioned by Allah to transform Iran into one of the major nations of the world. Overnight he sought to build a backward, religious country into a modern -- though highly corrupt -- industrial state. Meanwhile, he accumulated vast stores of the most advanced equipment which is now dangerously spread out over the Iranian desert and -- in case Iran slipped into anarchy -- could prove an enormous temptation to the Soviet Union.

The past events reveal the fragility of the Nixon Doctrine and suggest a reconsideration of the whole policy initiated at Guam. Though theoretically the United States should find it useful to entrust the defense of strategic areas to local nations -- or regional combinations of nations -- the concept is fraught with dangers. Never again should we transfer such vast military resources to an antiquated monarchy that rules largely by force without the consent of the people. The over enthusiastic application of the Nixon Doctrine by President Nixon and Dr. Kissinger bears a direct responsibility for the predicament in which Iran -- and America -- now find themselves.

CONCLUSIONS

1. The Shah and his regime have been irreparably damaged by the events of the past year. The situation can never return to the status quo ante with the Shah exercising absolute control.

2. There is no quick or risk-free way to restore stability to the country. In my view, however, we would be inviting disaster if we were to continue trying to prop up the Shah as a monarch retaining any substantial powers of government. Even were we to succeed momentarily, it would lead to an inevitable deterioration of events in which our interests would greatly suffer.

3. There is danger that the relatively small amount of violence during the Ashura weekend will delude the Shah into concluding that only cosmetic concessions are necessary for him to hold on to power. That would be the certain prescription for continuing strikes, demonstrations, the disruption of the economy, and brutal repression, with the danger of anarchy at the end of the road.

4. Already there is increasing evidence of dissension on the part of some younger officers and the more the Army is required to fire on civilians the greater the chances of mutiny, while increasing radicalization and the factionalism within the ranks may lay the basis for a military coup and potential civil war.

5. All parties are looking to the United States for signals. Our public and private posture will play a large role in determining whether the Shah and the opposition can achieve a ~~non-violent accommodation that must inevitably~~ relieve the Shah of most of his powers.

6. Though we should use our influence to try to bring into power a civilian government we should recognize that any such government will be weak and difficult. Its weakness will result not only from inexperience but from the fact that, while recent mass demonstrations have given an impression of common purpose, leaders involved represent mutually antagonistic groups and philosophies utilizing the slogans of religion only because they have no other central unifying theme. Since it will owe its creation to a nationalistic civil uprising marked by anti-American slogans, it will be less accommodating to our interests than the absolute monarch with whom we have been working. But it will still be a better long-term bet than a repressive military government or anarchy which are the most likely alternatives.

7. We should take prompt steps to reassure the Governments of Saudi Arabia and the Gulf states that, no matter what developments occur in Iran, we will do everything necessary to guarantee the security of the Gulf. Meanwhile, we should offer the Saudis the opportunity to review possible measures to strengthen their security, making it clear that a more forward security posture on our part will require their active cooperation.

8. We should continue to try to detect and confront every Soviet effort to increase its influence in Iran and develop contingency plans for a vigorous response.

9. Ever since Vietnam, the United States has come to rely increasingly on regional powers and allies for the protection of our own interests overseas. To some degree that is inevitable and desirable. But the Iranian experience suggests that we have permitted the balance to shift too far in one direction. It may be time to take a reasoned look at the possibilities and implications of a shift back toward greater self-reliance on our own capabilities and a more vigorous assertion of our own objectives abroad. At a minimum, we should be aware that overloading underdeveloped nations with the weight of large armies and advanced military equipment risks the fatal weakening of their social and economic structures.

Specific Steps

1. Ambassador Sullivan should inform the Shah that the benign outcome of Ashura now offers him the last remaining possibility to preserve his dynasty and bring peace to his country. But the minimum condition he must meet is to transfer his powers to a civilian government and become a constitutional monarch.

2. Ambassador Sullivan should urge the Shah to appoint a Council of Notables in the next week or two before the opposition has had a chance to regroup. The Council would be mandated to select a civilian government to which the Shah would transfer all of his powers over the civil life of the country. The same message should be given separately to the Empress and to General Azhari.

3. Ambassador Sullivan (or the Station Chief) should provide the Shah with a list of candidates for the Council of Notables making clear that, while we are not proposing to dictate his appointments, that list represents the kind of individuals he should appoint -- men not compromised by association with his own regime.

4. The Agency should begin exploring immediately the possibility of establishing a disavowable channel of communication to Khomeini and his entourage. At some point we will probably need to send and receive messages; if the mechanism is to be in place when it is needed, we should start now.

5. Our public posture during the next few weeks should:
(1) Emphasize the importance of the Shah's role as a symbol of unity and continuity; (2) Oppose a return to violence; (3) Call for political accommodation and national reconciliation.

6. If this plan should fail because of continued strong nationalist resistance to any scheme that would leave the Shah with even nominal power, we should be prepared to take further action in the light of conditions at the time, possibly including pressing for a regency. In any event we should use all our leverage with the military to persuade them not to resort to repressive measures to prop up a bankrupt regime detested by the people.

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